



**Bitou Local Municipality
Unaudited Annual financial statements
for the year ended 30 June 2019**


**AUDITOR GENERAL
SOUTH AFRICA**

30 NOV 2019

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

General Information

Country of Origin and Legal Form

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

Nature of business and principal activities

Bitou Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996) This in effect means that the municipality provide services like water, electricity, sewerage and sanitation to the community. Bitou Municipality also serves as an agent to Provincial Government in providing Housing to the community.

Jurisdiction

Plettenberg Bay

Nature's Valley

Wittedrift

Keurbooms

Kranshoek

Harkerville

Kwanokuthula

Mayoral committee

Executive Mayor

Councillor M.P. Lobese

Deputy Executive Mayor

Councillor S.E. Gcabayi

Speaker

Councillor E.V Wildeman

Mayoral Committee Members

Councillor M. M. Mbali

Councillor L. M. Seyisi

Ordinary Councillors

Councillor J Kam Kam

Councillor A.R. Olivier

Councillor W.J. Nel

Councillor N.C Jacob

Councillor N.S. Ndayi

Councillor AS Windvogel

Councillor D Swarts

Councillor X Matyila

Chief Finance Officer (CFO)

Mr VB Mkhafa

Accounting Officer

Adv LMR Ngoqo

Registered office

4 Sewell Street
Plettenberg Bay
6600

Business address

4 Sewell Street
Plettenberg Bay
6600

Postal address

Private Bag X1002
Plettenberg Bay
6600

Bankers

Nedbank, Plettenberg Bay

Auditors

The Auditor General South Africa


AUDITOR - GENERAL
SOUTH AFRICA

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

General Information

Attorneys

Mosdall, Pama & Cox
Nandi Bulabula
Hutchinson

Relevant Legislation

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Housing Act (Act no 107 of 1997)
Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

Bitou Local Municipality

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Members of the Bitou Local Municipality

Ward	Ward Description	Councillor
1	Wittedrift / Kurland / Natures Valley / Keurbooms / Cowle / Uplands	Councillor J Kam Kam
2	Plettenberg Bay South & North	Councillor D Swarts
3	Qolweni / Bossiesgif / Pinetrees / Portion of New Horizons	Councillor X Matyila
4	Portion of New Horizons / Portion of Kwanokuthula	Councillor AS Windvogel
5	Kwanokuthula	Councillor M M Mbali
6	Kwanokuthula	Councillor S E Gcabayi
7	Kranshoek / Harkerville / portion of Kwanokuthula	Councillor A R Olivier
Proportional		Councillor P.M Lobese
		Councillor E.V Wildeman
		Councillor M Seyisi
		Councillor W.J Nel
		Councillor N.C Jacob
		Councillor N.S Ndayi

Approval of Financial Statements

The accounting officer is responsible for the preparation of these annual unaudited annual financial statements for the year ending 30 June 2019, which are set out on pages 1 to 89 in terms of Section 126 (1) of the Municipal Finance Management Act (Act 56 of 2003), and which the accounting officer have signed on behalf of the municipality.

The annual unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and that the system of internal control provides reasonable assurance that the financial records can be relied on.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and is satisfied that the municipality can continue in operational existence as a going concern for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Adv LMR Ngoqo
Municipal Manager

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Non-Current Assets			
Investment property	13	22 226 585	26 619 617
Property, plant and equipment	12	1 080 409 591	1 060 446 346
Intangible assets	14	104 471	186 567
Heritage assets	15	35 193	35 193
Investment	16	7 602 754	6 852 559
Long term Receivables	45	3 916	8 720
		1 110 382 510	1 094 149 002
Current Assets			
Inventories	17	15 702 745	10 082 914
Operating lease asset	20	326 972	310 852
Trade and other receivables from exchange transactions	18	42 417 009	33 575 487
Receivables from non-exchange transactions	19	24 096 683	64 152 742
VAT receivable	11	1 885 618	9 746 742
Current portion of Long term Receivables	45	3 939	3 442
Unpaid Grants	9&23	24 054 779	-
Cash and cash equivalents	21	90 089 299	140 813 192
		198 577 044	258 685 371
Total Assets		1 308 959 554	1 352 834 373
Liabilities			
Non-Current Liabilities			
Long-Term Borrowings	3	121 823 094	140 690 864
Employee benefit obligation	4	70 431 823	99 937 286
Provisions	5	23 495 225	33 588 376
		215 750 142	274 216 526
Current Liabilities			
Long-Term Borrowings	3	19 970 279	20 543 234
Operating lease liability	20	344 346	361 247
Trade and other Payables from exchange transactions	8	51 052 383	75 251 712
Consumer deposits	6	8 354 079	7 996 388
Employee benefit obligation	4&7	27 491 535	25 564 347
Conditional grants and receipts	9&23	1 903 078	2 120 347
Provisions	5	12 175 561	600 000
Unspent public contributions	10	211 730	-
		121 502 991	132 437 275
Total Liabilities		337 253 133	406 653 801
Net Assets		971 706 421	946 180 572
Reserves			
Capital Replacement Reserve	46	81 000 000	48 854 892
Accumulated surplus		890 706 421	897 325 680
Total Net Assets		971 706 421	946 180 572

* See Note 58

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods		2 461 049	2 246 336
Service charges	25	355 914 083	278 311 680
Rendering of services		3 446 605	4 249 931
Rental of facilities and equipment	47	824 943	1 102 477
Agency services	48	1 779 694	1 664 737
Licences and permits	49	730 795	572 313
Gains on disposal of assets and liabilities	52	476 070	-
Operational Revenue	26	3 257 330	2 943 380
Interest received - Cash and Investments	53	11 591 758	12 303 972
Interest received - Trade and other receivables	51	10 872 559	6 025 214
Inventories reversal to Net Realisable value		1 884 834	2 919 744
Total revenue from exchange transactions		393 239 720	312 339 784
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	129 516 474	121 810 210
Interest, Dividends and Rent on Land	51	2 652 221	1 963 169
Transfer revenue			
Government grants & subsidies	23	231 451 028	178 620 260
Contributed Assets	54	26 235 243	-
Public contributions and donations	24	228 270	-
Fines, Penalties and Forfeits		44 665 098	34 525 910
Fines Written off - Recovered		-	7 702 196
Total revenue from non-exchange transactions		434 748 334	344 621 745
Total revenue		827 988 054	656 961 529
Expenditure			
Employee related costs	27	(171 269 644)	(197 932 052)
Remuneration of councillors	28	(6 150 376)	(6 038 330)
Depreciation and amortisation	31	(31 327 205)	(30 675 922)
Impairment	29	(119 019 288)	(7 659 394)
Finance costs	32	(18 417 388)	(18 037 868)
Operating leases	50	(3 991 749)	(4 043 104)
Bad Debts Written off	30	(70 705 763)	(31 341 357)
Bulk purchases	33	(117 655 105)	(107 091 556)
Contracted services	34	(103 412 484)	(68 261 801)
Transfers and Subsidies		(6 644 730)	(5 775 956)
Loss on disposal of assets and liabilities		(47 469 782)	(3 790 681)
Water Losses	55	(2 179 425)	(2 262 599)
Inventory Consumed		(9 309 046)	(21 493 294)
Operational Cost	35	(60 332 892)	(51 961 755)
Land Earmarked for housing		(34 577 333)	-
Total expenditure		(802 462 210)	(556 365 669)
Surplus for the year		25 525 844	100 595 860

* See Note 58

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	83 000 000	767 473 858	850 473 858
Adjustments			
Correction of errors	-	(4 889 146)	(4 889 146)
Balance at 01 July 2017 as restated*	83 000 000	762 584 712	845 584 712
Changes in net assets			
Surplus for the year	-	100 595 860	100 595 860
Transfer from	(34 145 108)	-	(34 145 108)
Transfer to	-	34 145 108	34 145 108
Total changes	(34 145 108)	134 740 968	100 595 860
Opening balance as previously reported	48 854 892	864 721 627	913 576 519
Adjustments			
Correction of errors	-	32 604 058	32 604 058
Restated* Balance at 01 July 2018 as restated*	48 854 892	897 325 685	946 180 577
Changes in net assets			
Surplus for the year	-	25 525 844	25 525 844
Transfer from	(41 616 036)	(73 761 144)	(115 377 180)
Transfer to	73 761 144	41 616 036	115 377 180
Total changes	32 145 108	(6 619 264)	25 525 844
Balance at 30 June 2019	81 000 000	890 706 421	971 706 421
Note(s)	46		

* See Note 58

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Ratepayers and other		415 075 888	370 102 750
Government		206 876 968	192 487 194
Interest income		25 116 538	20 292 355
		<u>647 069 394</u>	<u>582 882 299</u>
Payments			
Suppliers and Employees		(562 924 359)	(444 887 401)
Finance costs		(18 417 388)	(18 037 868)
Transfers and Grants		(6 644 730)	(5 775 956)
		<u>(587 986 477)</u>	<u>(468 701 225)</u>
Net cash flows from operating activities	36	<u>59 082 917</u>	<u>114 181 074</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(92 405 888)	(113 090 432)
Proceeds from sale of property, plant and equipment	12	2 428 000	-
Net Movement in Non current Investments		(750 195)	(750 194)
Net Movement in Non-Current Receivables		4 307	3 007
		<u>(90 723 776)</u>	<u>(113 837 619)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Proceeds from long-term borrowings		-	30 873 552
Repayment of long-term borrowings		(19 440 725)	(18 163 856)
Net Movement in Consumer Deposits	6	357 691	1 704 721
		<u>(19 083 034)</u>	<u>14 414 417</u>
Net cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		<u>(50 723 893)</u>	<u>14 757 872</u>
Cash and cash equivalents at the beginning of the year		140 813 192	126 055 320
Cash and cash equivalents at the end of the year	21	<u>90 089 299</u>	<u>140 813 192</u>

* See Note 58

Stou Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

		ORIGINAL		ADJUSTMENT		FINAL		ACTUAL
		BUDGET	ADJUSTMENTS/ MOVEMENTS	BUDGET	VIREMENTS	BUDGET	ACTUAL	VS
Ref.		R	R	R			R	R
STATEMENT OF FINANCIAL POSITION								
Total current assets	C1	194 245 692	5 559 033	199 804 725	0	199 804 725	198 577 045	-1 227 680
Total non- current assets	C2	1 148 986 690	1 750 945	1 150 737 635	0	1 150 737 635	1 110 382 509	-40 355 126
Total current liabilities	C3	69 358 593	77 970 000	147 328 593	0	147 328 593	120 879 521	-26 449 072
Total non- current liabilities	C4	234 935 935	0	234 935 935	0	234 935 935	216 373 612	-18 562 323
Total Net Assets		1 038 937 853	-70 660 022	968 277 831	0	968 277 832	971 706 421	3 428 590
STATEMENT OF FINANCIAL PERFORMANCE								
Group Reporting Framework								
Revenue								
Property taxes	C5	130 946 747	7 000 000	137 946 747	0	137 946 747	129 516 475	-8 430 272
Government Grants and Subsidies-operational	C6	149 028 000	-3 952 561	145 075 439	0	145 075 439	141 296 465	-3 778 974
Contributed Assets								0
Public Contributions and Donations		0					228 270	228 270
Fines, Penalties and Forfeits	C7	23 812 570	23 569 133	47 381 703	0	47 381 703	44 665 099	-2 716 604
Service Charges	C8	318 405 290	6 672 818	325 078 108	0	325 078 108	355 914 084	30 835 976
Interest from Fixed Assets		1 559 950	0	1 559 950	0	1 559 950	824 944	-735 006
Interest Earned - external investments	C9	8 841 630	-1 181 552	7 660 078	0	7 660 078	11 591 758	3 931 680
Interest Earned - outstanding receivables		5 653 787	0	5 653 787	0	5 653 787	13 524 781	7 870 994
Fines written off-recovered								0
Interest,Dividends and Rent on Land							0	0
Agency Services		1 371 870	542 355	1 914 225	0	1 914 225	1 779 694	-134 531
Operational Revenue		19 511 353	-9 249 797	10 261 556	0	10 261 556	3 257 328	-7 004 228
Sales of Goods and Rendering of Services							5 907 654	5 907 654
Contributed Assets							0	0
Leases and Permits		2 500 000	-2 152 249	347 751	0	347 751	730 795	383 044
Inventories:(Write-down)/ Reversals to Net Realisable Value						0	1 884 833	1 884 833
Losses on disposal of PPE		782 000	0	782 000	0	782 000	476 070	-305 930
Total Revenue excl. Capital Transfers		662 413 197	21 248 147	683 661 344	0	683 661 344	711 598 249	27 936 905
Expenditure								
Employee related costs	C10	209 540 899	50 000	209 590 899	-1 421 150	208 169 749	171 269 644	-36 900 105
Remuneration of Councillors		7 047 000	-197 592	6 849 408		6 849 408	6 150 376	-699 032
Bad Debts Written-off	C11			0		0	70 705 762	70 705 762
Operational Cost	C12	66 945 949	-8 460 363	58 485 586	946 000	59 431 586	60 332 890	901 304
Land Earmarked for Housing		0	0	0	0	0	34 577 333	34 577 333
Depreciation and Amortisation		29 907 772	2 006 534	31 914 306		31 914 306	31 327 204	-587 102
Finance Costs		17 804 854	-860 296	16 944 558		16 944 558	18 417 388	1 472 830
Stock Purchases		112 023 800	0	112 023 800		112 023 800	117 655 105	5 631 305
Contracted services	C13	139 445 126	-24 581 149	114 863 977	355 282	115 219 259	103 412 484	-11 806 775
Transfers and Subsidies		11 500 000	-4 928 572	6 571 428		6 571 428	6 644 730	73 302
Operating Grant Expenditure				0		0	0	0
Inventory Consumed		3 237 020	1 671 878	4 908 898	119 868	5 028 766	9 309 049	4 280 283
Operating Leases							3 991 749	3 991 749
Total Expenditure (excl. Impairment and losses)		597 452 420	-35 299 560	562 152 860	0	562 152 860	633 793 714	71 640 854
Operating Surplus		64 960 777	56 547 707	121 508 484	0	121 508 484	77 804 535	-43 703 949
Impairment Loss)/Reversal of Impairment Loss on Receivables	C14	20 112 380	20 000 000	40 112 380	0	40 112 380	96 615 190	56 502 810
Impairment Loss)/Reversal of Impairment Loss on Fixed Assets							22 404 098	22 404 098
Loss on Sale of Fixed Assets		0	0		0	0	47 469 781	47 469 781
Water Losses							2 179 425	2 179 425
Total Expenditure		617 564 800	-15 299 560	602 265 240	0	602 265 240	802 462 200	200 196 960

AUDITOR GENERAL
SOUTH AFRICA

ou Local Municipality

Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Ref.	ORIGINAL		ADJUSTMENT		FINAL		ACTUAL VS
	BUDGET	ADJUSTMENTS/ MOVEMENTS	BUDGET	VIREMENTS	BUDGET	ACTUAL	BUDGET
	R	R	R			R	R
Transfers recognised-capital	C15	38 545 000	48 025 111	86 570 111	0	86 570 111	116 389 800
Surplus for the year		83 393 397	84 572 818	167 966 215	0	167 966 215	25 525 841
							-142 440 374

CASH FLOW STATEMENT

Cash from Operating Activities	C16	105 291 766	-2 546 002	102 745 764	0	102 745 764	59 082 917	-43 662 847
Cash from Investing Activities	C17	-66 339 780	-63 872 600	-130 212 380	0	-130 212 380	-90 723 776	39 488 604
Net Cash from Financing Activities	C18	-18 870 774	0	-18 870 774	0	-18 870 774	-19 083 034	-212 260
								0
Increase/(decrease)in cash and cash equivalents		20 081 212	-66 418 602	-46 337 390	0	-46 337 390	-50 723 893	-4 386 503

OPERATING EXPENDITURE BY VOTE

Community Services	C19	196 723 136	-7 187 783	189 535 353	12 375 870	201 911 223	360 730 635	158 819 412
Corporate Services	C20	43 040 403	5 456 895	48 497 298	0	48 497 298	52 151 204	3 653 906
Council	C21	7 208 863	-61 878	7 146 985	0	7 146 985	6 438 791	-708 194
Financial Services	C22	50 347 978	-4 832 097	45 515 881	-201 973	45 313 908	33 640 509	-11 673 399
Strategic Services	C23	28 784 775	7 809 148	36 593 923	-12 611 483	23 982 440	19 502 609	-4 479 831
Office of the Municipal Manager	C24	25 771 221	2 250 936	28 022 157	-1 801 391	26 220 766	21 823 431	-4 397 335
Municipal Services and Infrastructure Development	C25	265 688 518	-18 734 875	246 953 643	2 238 977	249 192 620	308 175 034	58 982 414
		617 564 894	-15 299 654	602 265 240	0	602 265 240	802 462 212	200 196 972

CAPITAL EXPENDITURE BY VOTE

Community Services	C26	7 031 261	50 594 691	57 625 952	0	57 625 952	21 933 768	-35 692 184
Corporate Services		0	0	0	0	0	0	0
Council		0	0	0	0	0	0	0
Financial Services	C27	2 091 747	-582 000	1 509 747	0	1 509 747	1 333 639	-176 108
Municipal Services and Infrastructure Development		70 752 175	-634 931	70 117 244	0	70 117 244	65 680 464	-4 436 780
Strategic Services	C28	2 094 000	-1 004 506	1 089 494	0	1 089 494	29 693 262	28 603 768
		81 969 183	48 373 254	130 342 437	0	130 342 437	118 641 133	-11 701 304

Refer to note 63 for explanations of material variances between the original budget and final budget.

Refer to note 63 for explanations of material variances between actual amounts and the final budget.

Material variances are considered as variances larger than R8 million

AUDITOR - GENERAL
SOUTH AFRICA

30 NOV 2019

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.1 Presentation currency

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.2 Going concern assumption

These financial statements have been prepared on a going concern basis.

1.3 Comparative Information

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.4 Amended Disclosure Policy

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Presentation of Budget information

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 01 Jul 2018 to 30 Jun 2019. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.7 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.8 Leases

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 9 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

Bitou Local Municipality

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Accounting Policies

1.10 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- " Unspent conditional grants are recognised as a liability when the grant is received.
- " When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- " The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- " Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

The same accounting principles will be applied with the recognition of unspent Public Contributions.

1.11 Provisions

Provisions are recognised when:

- the Municipality has a present legal or constructive obligation as a result of a past events;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate of the provision can be made.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.12 Employee benefits

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.12 Employee benefits (continued)

Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

Pension and retirement fund obligations

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Accounting Policies

1.12 Employee benefits (continued)

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.13 Borrowing costs

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.14 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Bitou Local Municipality

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Accounting Policies

1.14 Property, plant and equipment (continued)

Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives (in years):

Item	Depreciation method	Expected useful life
Land	Straight line	Indefinite
Buildings	Straight line	8-100
Infrastructure	Straight line	
• Electricity reticulation	Straight line	8-101
• Refuse sites	Straight line	5-100
• Roads, Pavements, Bridges & Storm Water	Straight line	6-100
• Sewerage Purification	Straight line	9-100
• Water Reservoirs & reticulation	Straight line	8-100
Community	Straight line	
• Cemeteries	Straight line	10-100
• Community Halls	Straight line	5-100
• Libraries	Straight line	5-100
• Sport grounds	Straight line	5-100
• Parks	Straight line	5-100
Other Assets	Straight line	
• Office Equipment	Straight line	3-30
• Other Land & Buildings	Straight line	10-15
• Other Motor Vehicles	Straight line	4-30
• Plant and Equipment	Straight line	5-30
• Security Measures	Straight line	5-30
• Specialised Vehicles	Straight line	8-30
Leased Assets	Straight line	3-6

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Bitou Local Municipality

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Accounting Policies

1.14 Property, plant and equipment (continued)

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

(a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.

(b) The use of the asset has changed, because of the following:

- " The entity has changed the manner in which the asset is used.

- " The entity has changed the utilisation rate of the asset.

- " The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.

- " Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.

- " Legal or similar limits placed on the use of the asset have changed.

- " The asset was idle or retired from use during the reporting period.

(c) The asset is approaching the end of its previously expected life.

(d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.

(e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.

(f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity. In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.

(g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets..

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

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Accounting Policies

1.15 Intangible assets

Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5-10

De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

1.16 Investment property

Initial Recognition

Investment property is recognised as an asset when and only when:

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Accounting Policies

1.16 Investment property (continued)

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Bitou Local Municipality

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Accounting Policies

1.16 Investment property (continued)

Cost model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The entity assesses at each reporting date whether there is any indication that the entity's expectations about the residual value and the useful life of an asset have changed since shall be reviewed at least at each the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In carrying out this assessment, the entity considers the following indicators as listed in the Standard (although this is not an exhaustive list) to determine whether the expected useful life and/or residual value has changed:

(a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.

(b) The use of the asset has changed, because of the following:

- The entity has changed the manner in which the asset is used.
- The entity has changed the utilisation rate of the asset.
- The entity has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
- Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
- Legal or similar limits placed on the use of the asset have changed.
- The asset was idle or retired from use during the reporting period.

c) The asset is approaching the end of its previously expected life.

d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.

e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.

f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period. This is based on any condition assessments undertaken by the entity on its assets during the reporting period in accordance with the Asset Management Plan of the entity. In assessing whether the condition of an asset has improved or declined, the stage of the asset's lifecycle is considered by the entity. As assets age, a certain level of deterioration is expected. It is only where a decline in the condition is above what is expected, would a thorough analysis of the impact on the useful life of the asset be required. The same applies if an asset is in a better condition than expected.

g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and impairment of Non-cash-generating assets.

In assessing whether there is any indication that the expected residual value of an asset has changed, the entity considers whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included above.

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Accounting Policies

1.16 Investment property (continued)

Item	Useful life
Property - buildings	30-120 years

De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

1.17 Heritage assets

Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

Subsequent measurement – Cost Model

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

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Accounting Policies

1.18 Recognition and De-recognition of Land – IGRAP18

The municipality applies this interpretation to the initial recognition and de-recognition of land in its financial statements. This interpretation also considers joint control of land by more than one entity.

When the municipality concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined.

An entity also applies the applicable Standards of GRAP to the de-recognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

1.19 Impairment of cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

Accounting Policies

1.19 Impairment of cash-generating assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

Accounting Policies

1.20 Impairment of non-cash-generating assets (continued)

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.21 Inventories

Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent Measurement

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Inventories (continued)

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Fuel held for sale is measured annually at the reporting date by way of a dip reading.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

Initial recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Financial instruments (continued)

Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

4. Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Financial instruments (continued)

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

Derecognition of Financial Instruments

1. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

3. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.23 Statutory receivables

Identification

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial Recognition

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.23 Statutory receivables (continued)

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

Initial measurement

The Municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

Derecognition

The Municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.24 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Revenue from non-exchange transactions (continued)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability. When 3 years has expired, then all unclaimed deposits made into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Unclaimed deposits are recognised as revenue after 3 years, the Municipality still keeps record of these unclaimed deposits in the event that a party should submit a claim, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.25 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.25 Revenue from exchange transactions (continued)

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month may be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26 Transfer of function (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.v

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.26 Transfer of function (Municipality as the acquirer) (continued)

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.27 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.28 Related parties

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 - "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

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Accounting Policies

1.28 Related parties (continued)

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

Bitou Local Municipality

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Accounting Policies

1.29 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.33 Significant judgements and sources of estimation uncertainty

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.33 Significant judgements and sources of estimation uncertainty (continued)

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.33 Significant judgements and sources of estimation uncertainty (continued)

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- The current CPI rate will be used to calculate the effect of the passage of time to determine the retrospective effect of the change in estimate.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Pre-paid electricity estimation

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.33 Significant judgements and sources of estimation uncertainty (continued)

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 5 days during the year under review is used as the estimate for calculating unused units

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.34 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.35 Capitals Commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Bitou Local Municipality

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2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

2.2 Standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The effective date of the standard is unknown.

No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effective date of the standard is for years beginning on or after 01 April 2020.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The effective date of the standard is for years beginning on or after 01 April 2020.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The effective date of the standard is for years beginning on or after 01 April 2020.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

The effective date of the standard is for years beginning on or after 01 April 2020.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

The effective date of the standard is for years beginning on or after 01 April 2020.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

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2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The effective date of the standard is for years beginning on or after 01 April 2020.

GRAP 20: Related parties

The objective of this standard is to ensure that a municipality's unaudited annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effective date of the standard is for years beginning on or after 01 April 2019.

The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

The effective date of the standard is for years beginning on or after 01 April 2019.

No such transactions or events are expected in the foreseeable future.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effective date of the standard is for years beginning on or after 01 April 2019.

No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The effective date of the standard is for years beginning on or after 01 April 2019.

No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

The effective date of the standard is April 1, 2019.

No such transactions or events are expected in the foreseeable future.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has early adopted the Standard for the first time in the 2018/2019 unaudited annual financial statements.

IGRAP 19: Liabilities to Pay Levies

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Notes to the Unaudited Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

The effective date of the standard is April 1, 2019.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means.

Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the is for years beginning on or after 01 April 2020.

The municipality expects to adopt the for the first time in the 2019/2020 unaudited annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's unaudited annual financial statements.

3. Long-Term Borrowings

At amortised cost

DBSA - 11200/102	185 000	555 000
DBSA - 13665/101	590 526	984 210
DBSA - 100225/1	2 884 000	3 708 000
DBSA - 103437/1	20 151 602	21 209 131
DBSA - 103437/2	1 463 178	1 671 514
STANDARD BANK - 282023631	456 037	864 319
STANDARD BANK - 282024913	12 478 912	13 863 215
STANDARD BANK - 282044426	4 869 857	6 939 846
STANDARD BANK - 282029087	5 320 026	7 089 281
STANDARD BANK - 251981282	5 155 589	6 865 790
STANDARD BANK - 282022589	6 476 340	7 708 128
STANDARD BANK - 082602247	7 643 950	8 729 258
STANDARD BANK - 082602573	-	1 080 921
NEDBANK - 7831 033912 / 000 001	7 324 889	8 121 179
NEDBANK - 2017/2018	29 026 027	30 873 552
ABSA - 2015/2016	15 996 972	17 484 395
ABSA - 2016/2017	21 770 468	23 486 359
	141 793 373	161 234 098

Development Bank Loans

Various structured loans have been taken up with DBSA, with an original value totaling R75.289m. All the loans are paid 6 monthly on a "Fixed capital plus interest" basis which varies between 15-20 year periods with maturity dates ranging from 31/12/2019 - 30/06/2029 respectively. Interest rates applicable on all loans vary from 9.14% to 11.24% . Apart from the below mentioned loan all other loans are unsecured.

A non current investment to establish a Sinking Fund, amounted to R 5, 244m has been invested with Nedbank to serve as a contractual collateral on loans (loan WC 13665 and WC 100225) from Development Bank of Southern Africa.

Standard Bank

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Bitou Local Municipality

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3. Long-Term Borrowings (continued)

Nine loans originally amounting to a total of R94,38m had been taken up from Standard bank. These loans will be paid back 6 monthly on a "fixed capital plus interest" basis over a period which varies between 5 and 10 years, with maturity dates from 30/06/2018 to 30/06/2025 respectively. Interest rates applicable to these loans varying between 10.00% and 11.45% respectively. The loans are unsecured.

Nedbank

Two loans originally amounting R40.88m have been taken up from NEDBANK. The one loan will be paid monthly and the other bi-annually, on equal installments, based on fixed interest rates of 11.81% and 10.54% respectively over 10 year periods. The loans matures on 30/06/2025 and 30/06/2028. The loans are unsecured.

ABSA

Two loans originally amounting to R44.99m have been taken up from ABSA. The loans will be paid 6 monthly on equal installments based on a fixed interest rate over a ten year period with maturity date of 30/06/2026 and 30/06/2027 respectively. Interest rates applicable to these loans varying between 10.04% and 10.36% respectively. The loans are unsecured.

The fair value of Long-Term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Non-current liabilities

At amortised cost	121 823 094	140 690 864
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Current liabilities

At amortised cost	19 970 279	20 543 234
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The obligations under annuity loans are scheduled below:

Amounts Payable under annuity loans:

	2019	2018
Within one year	34 679 497	37 286 792
Within two to five years	110 291 077	145 546 802
After five years	60 199 813	56 082 321
Less: Future Finance obligations	(63 377 015)	(77 681 816)

Present value of annuity loans obligations

141 793 372	161 234 099
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4. Employee benefit obligations

Post Retirement Benefits	60 560 398	94 770 719
Long Service Awards	9 871 425	5 166 567

Total Non-current Employee Benefit Liabilities

70 431 823	99 937 286
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Post Retirement Benefits

Balance 1 July	94 770 719	92 364 644
Contributions for the year	17 667 446	18 963 554
Expenditure for the year	(1 419 507)	(1 351 747)
Actuarial Loss/(Gain)	(50 395 991)	(15 181 259)
Transfer of current portion	(62 269)	(24 473)
Balance at 30 June	60 560 398	94 770 719

Long Service Awards

Balance 1 July	5 166 567	5 266 040
Contributions for the year	1 175 085	1 149 593
Expenditure for the year	(1 370 928)	(863 138)
Actuarial Loss/(Gain)	4 574 957	221 346
Transfer of current portion	325 744	(607 274)
Balance at 30 June	9 871 425	5 166 567

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4. Employee benefit obligations (continued)

Post Retirement Benefits

In-service (employee) members	490	477
In-service (employee)- non members	29	33
Continuation members (e.g. Retirees, widows, orphans)	34	35
Total Members	553	545

The liability in respect of past service has been estimated to be as follows:

	R	R
In-service members	44 237 818	77 084 170
In -service non-members	391 250	2 579 704
Continuation members	17 423 874	16 537 120
Total Liability-unfunded	62 052 942	96 200 994

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017	2016	2015	2014
In-service members	72 511 038	68 218 893	64 887 127	55 890 289
In -service non-members	3 009 265	2 450 618	-	-
Continuation members	18 250 143	17 094 650	16 180 839	15 203 669
Total Liability	93 770 446	87 764 161	81 067 966	71 093 958

Experience adjustments were calculated as follows:

	2019 (R'000)	2018 (R'000)	2017 (R'000)	2016 (R'000)
Liabilities (Gain)/loss	(6 771)	(6 577)	4 979	(5 316)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonita's
LAHealth
Samwu
Keyhealth
Hosmed

Key actuarial assumptions used

i) Rate of interest

Discount rate	9.60 %	9.78 %
Health Care Cost Inflation Rate	7.02 %	7.51 %
Expected rate of return on assets	2.41 %	2.11 %

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries .

The SA 85-90 table was used by the actuaries for current employees

iii) Normal Retirement Age

It has been assumed that in-service members will retire at an average age of 62 years, which then implicitly allows for expected rates of early and ill-health retirement. In 2018 it was 57 years.

The amount recognised in the Statement of Financial Position is as follows

	R	R
Present value of fund obligations	62 052 942	96 200 994

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	96 200 994	93 770 447
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Bitou Local Municipality

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Notes to the Unaudited Annual Financial Statements

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4. Employee benefit obligations (continued)		
Current Service Cost (Included in Employee Cost in the Statement of Financial Performance)	8 327 298	9 660 278
Interest Cost (Included in Employee Cost in the Statement of Financial Performance)	9 340 148	9 303 276
Benefits Paid	(1 419 507)	(1 351 747)
Actuarial Gain/(losses) (included in Employee Cost in the statement of Financial Performance)	(50 395 991)	(15 181 259)
Present Value of fund obligation at the end of the year	62 052 942	96 200 995
Less: Transfer of current portion	(1 492 544)	(1 430 275)
Balance 30 June	60 560 398	94 770 720

The total liability has decreased by 35% (or R 34.148 million) since the last valuation.. The main reasons for the actual movement in the liability are:

- a decrease in the assumed proportion of in-service members who continue their medical aid membership at and after retirement
- a decrease in the assumed proportion of in-service members with a spouse dependant on their medical aid at and after retirement
- a decrease in the average post-employment subsidy
- an increase in the net discount rate
- an increase in the assumed average retirement age

Sensitivity Analysis on the Accrued Liability in (R millions) on 30 June 2019

Assumptions	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)
Central Assumptions	44 629	17 424	62 053

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Health care inflation	1%	54 706	19 207	73 913	19.00 %
Health care inflation	-1%	36 779	15 896	52 675	(15.00)%
Discount Rate	1%	37 004	15 942	52 946	(15.00)%
Discount Rate	-1%	54 540	19 179	73 719	19.00 %
Post-retirement mortality	-1 Year	45 897	18 074	63 971	3.00 %
Average retirement age	-1 year	48 515	17 424	65 939	6.00 %
Membership after retirement	-10%	39 027	17 424	56 451	(9.00)%

Assumption	Change	Current Service Cost (R'000)	Interest Cost (R'000)	Total liability (R'000)	% change
Health care inflation	1%	10 143	10 960	21 103	19.00 %
Health care inflation	-1%	6 900	8 032	14 932	(15.00)%
Discount Rate	1%	7 000	8 892	15 892	(10.00)%
Discount Rate	-1%	10 027	9 821	19 848	12.00 %
Post-retirement mortality	-1 Year	8 545	9 610	18 155	3.00 %
Average retirement age	-1 year	8 849	10 008	18 857	7.00 %
Withdrawal Rate	-10%	7 468	8 534	16 002	(9.00)%

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Unaudited Annual Financial Statements for the year ended 30 June 2019

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4. Employee benefit obligations (continued)

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

	<u>519</u>	<u>510</u>
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The Current-service Cost for the ensuing year is estimated to be R1 194 018 whereas the Interest Cost for the next year is estimated to be R861 939.

Key assumptions used

i) Rate of interest

Discount rate	8.27 %	8.41 %
General Salary Inflation (long-term)	5.61 %	6.05 %
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.52 %	2.23 %

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

The amount recognised in the Statement of Financial Position is as follows

	R	R
Present value of fund obligations	<u>10 952 070</u>	<u>6 572 956</u>

The Liability in respect of periods commencing prior to the comparative year has been:

	2017 R	2016 R	2015 R
Total Liability-unfunded	6 065 154	3 378 046	3 185 513

Experience adjustments were calculated as follows

	2019	2018	2017	2016
Liabilities (Gain)/loss	439 434	283 625	2 581 119	107 734

Reconciliation of present value of fund obligation:

	R	R
Present value of fund obligation at the beginning of the year	6 572 956	6 065 154
Current Service Cost (Included in Employee Cost in the Statement of Financial Performance)	680 244	676 668
Interest Cost (Included in Employee Cost in the Statement of Financial Performance)	494 841	472 925
Benefits Paid	(1 370 928)	(863 138)
Actuarial (Gain)/ losses (included in Employee Cost in the statement of Financial Performance)	4 574 957	221 347
Present Value of fund obligation at the end of the year	<u>10 952 070</u>	<u>6 572 956</u>
Less: Transfer of current portion	<u>(1 080 645)</u>	<u>(1 406 389)</u>
Balance 30 June	<u>9 871 425</u>	<u>5 166 567</u>

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4. Employee benefit obligations (continued)

Sensitivity Analysis on the Unfunded Accrued Liability (in Rmillions) on 30 June 2019

Assumption	Change	Liability (R'000)	% change
Central assumptions		10 952	- %
General Salary Inflation	-1%	11 764	7.00 %
General Salary Inflation	+1 %	10 224	(7.00)%
Discount Rate	+1%	10 201	(7.00)%
Discount Rate	-1 %	11 805	8.00 %
Average retirement age	-2 years	9 579	(13.00)%
Average retirement age	+2 years	12 404	13.00 %
Withdrawal Rate	-50%	12 735	16.00 %

Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

R R

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 26.77% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 101.4% (30 June 2014 -106.2%).

Contributions paid recognised in the Statement of Financial Performance

103 177 135 723

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1 %.

Contributions paid recognised in the Statement of Financial Performance

18 167 116 16 635 903

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit funds are subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

790 544 645 508

19 060 837 17 417 134

5. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Landfill Sites	34 188 376	-	(679 537)	1 538 477	35 047 316
Legal proceedings	-	623 470	-	-	623 470

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	2019	2018
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5. Provisions (continued)

34 188 376	623 470	(679 537)	1 538 477	35 670 786
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Reconciliation of provisions - 2018

	Opening Balance	Utilised during the year	Change in discount factor	Total
Landfill Sites	32 716 149	(889 383)	2 361 610	34 188 376
Non-current liabilities			23 495 225	33 588 376
Current liabilities			12 175 561	600 000
			35 670 786	34 188 376

The size (footprint) of the landfill site in Plettenberg Bay cover an area of 41 327 m².

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. A closure licence with reference number E 13/2/10/1-D1/14-WL0023/12 was issued by the authorities on 31 March 2014 in this regard. The estimate cost and date of decommission of the sites are as follows:

There is no remaining useful life and the cost to rehabilitate is R 35 047 316

Legal proceedings provisions

Bitou Municipality' legal council advised that the Municipality settle out of court with the claimant. The amount provided for is a best estimate as advised.

6. Consumer deposits

Electricity & Water	8 153 389	7 900 471
Buildings	152 567	55 844
Libraries	3 882	3 882
Community Halls	44 241	36 191
	8 354 079	7 996 388

Guarantees held in lieu of Electricity and Water Deposits

246 125	246 125
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Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, Council utilizes the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

7. Current Employee Benefits

Current Portion of Post Retirement Benefits	1 492 544	1 430 275
Current Portion of Long-service Provisions	1 080 645	1 406 389
Staff leave	18 676 110	16 947 660
Bonuses	5 033 059	4 585 649
Performance Bonus	1 209 177	1 194 375
Total Current Employee Benefits	27 491 535	25 564 348

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	16 947 660	15 715 554
Contribution to current portion	3 354 828	2 727 010

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
Expenditure incurred	(1 626 378)	(1 494 904)
Balance at end of year	18 676 110	16 947 660

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Bonuses

Balance at beginning of year	4 585 649	4 197 603
Contribution to current portion	10 439 653	8 405 851
Expenditure incurred	(9 992 243)	(8 017 805)
Balance at end of year	5 033 059	4 585 649

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

Performance Bonus

Balance at beginning of year	1 194 375	563 836
Contribution to current portion	668 758	630 539
Expenditure incurred	-	-
2017-18 provision reduced	(309 348)	-
2016-17 provision reduced	(344 608)	-
Balance at end of year	1 209 177	1 194 375

8. Trade and other Payables from exchange transactions

Trade payables	22 842 292	49 713 913
Payments received in advanced	11 833 706	11 421 092
Pre-paid Electricity	532 522	401 999
Retentions	9 156 164	7 938 229
Other creditors	6 687 699	5 776 479
	51 052 383	75 251 712

Payables are being recognised net of any discounts.

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Other creditors mainly comprise deposits received towards services to be rendered to the municipality and unallocated banking deposits made on the municipality's banking accounts. No interest is raised and the credits held by the municipality are refunded once the services have been rendered or applied to the service account once the origin of the credit has been established.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

All payables are unsecured.

9. Conditional grants and receipts

Detailed explanation contained in disclosure Note.23

Conditional grants and receipts comprises of:

Conditional grants and receipts

Municipal Infrastructure Grant (MIG)	38 065	-
Housing Grants	(23 843 658)	1 220 995
National Electrification Programme	86 872	-

Bitou Local Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
9. Conditional grants and receipts (continued)		
LGSETA Grant	319 866	-
Financial Management Support - mSCOA	(51 469)	-
Financial Management Capacity Grant	141 142	202 687
Community Development Workers (CDW)	(33)	13 625
Library Grant	136 024	75 024
Municipal Replacement Funding (MRF)	983 399	608 015
Proclaimed Roads Maintenance	(4 219)	-
Municipal Disaster Grant	197 708	-
Disaster Management Emergency Housing	(155 400)	-
Neighbourhood Development Partnership Grant	1	1
	(22 151 702)	2 120 347

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

10. Unspent Public Contributions

LED NedBank	211 730	-
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Reconciliation of public contribution

Opening Balance	-	272 196
Contributions received	440 000	2 603 545
Conditions met - Transferred to revenue	(228 270)	(2 875 741)
Closing Balance	211 730	-

11. VAT receivable

VAT	1 885 618	9 746 742
Net VAT Receivable	2019	2018
VAT Payable (Output)	(83 474 516)	(52 972 444)
VAT Receivable (Input)	85 360 134	62 719 186
	1 885 618	9 746 742

VAT is payable on the receipts basis. VAT is paid over to SARS after payment received from debtors.

12. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	310 135 033	(25 071 085)	285 063 948	311 957 566	(7 059 481)	304 898 085
Machinery and Equipment	10 183 489	(5 399 912)	4 783 577	8 293 993	(4 369 998)	3 923 995
Furniture and Office Equipment	8 579 590	(5 496 575)	3 083 015	8 526 499	(4 981 071)	3 545 428
Transport Assets	42 813 172	(15 181 077)	27 632 095	33 422 829	(10 395 073)	23 027 756
Computer equipment	12 379 966	(6 522 592)	5 857 374	12 639 293	(5 627 728)	7 011 565
Infrastructure	873 017 140	(206 944 407)	666 072 733	822 815 802	(186 589 827)	636 225 975
Community	55 300 911	(14 988 518)	40 312 393	48 222 676	(13 577 637)	34 645 039
Other property, plant and equipment	60 655 551	(29 476 696)	31 178 855	59 685 932	(28 943 030)	30 742 902
Libraries	20 031 373	(3 605 772)	16 425 601	20 031 373	(3 605 772)	16 425 601
Total	1 393 096 225	(312 686 634)	1 080 409 591	1 325 595 963	(265 149 617)	1 060 446 346

Bitou Local Municipality

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Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	304 898 085	41 590 021	-	(43 412 554)	-	-	-	(18 011 604)	285 063 948
Machinery and Equipment	3 923 995	2 116 719	5 175	(87 855)	(3 325)	(1)	(1 171 131)	-	4 783 577
Furniture and Office Equipment	3 545 428	347 520	-	(40 523)	-	(2 505)	(766 905)	-	3 083 015
Transport Assets	23 027 756	9 331 000	-	(1 388 711)	-	-	(3 337 950)	-	27 632 095
Computer equipment	7 011 565	719 156	-	(232 311)	-	(5 133)	(1 635 903)	-	5 857 374
Infrastructure	636 225 975	20 261 727	35 206 512	(3 953 765)	-	7 639	(21 675 355)	-	666 072 733
Community	34 645 039	7 980 152	113 532	(305 994)	-	-	(2 120 336)	-	40 312 393
Other property, plant and equipment	30 742 902	974 794	(5 175)	-	3 325	-	(536 991)	-	31 178 855
Libraries	16 425 601	-	-	-	-	-	-	-	16 425 601
	1 060 446 346	83 321 089	35 320 044	(49 421 713)	-	-	(31 244 571)	(18 011 604)	1 080 409 591

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Disposals	Correction of Error	Depreciation	Total
Land	302 396 085	2 502 000	-	-	-	-	304 898 085
Machinery and Equipment	3 863 661	1 057 425	-	(102 540)	42 881	(937 432)	3 923 995
Furniture and Office Equipment	3 619 035	629 775	-	(50 577)	9 940	(662 745)	3 545 428
Transport Assets	23 212 143	5 583 869	-	(8 062)	-	(5 760 194)	23 027 756
Computer equipment	5 849 286	2 497 059	6 185	(95 914)	49 609	(1 294 660)	7 011 565
Infrastructure	573 831 825	61 312 898	23 543 723	(2 948 883)	-	(19 513 588)	636 225 975
Community	22 312 840	12 093 497	1 982 860	(553 094)	-	(1 191 064)	34 645 039
Other property, plant and equipment	29 992 760	86 758	1 148 673	(421)	-	(484 868)	30 742 902
Libraries	16 407 572	383 870	233 587	-	-	(599 428)	16 425 601
	981 485 207	86 147 151	26 915 028	(3 759 491)	102 430	(30 443 979)	1 060 446 346

Capital commitments

Capital commitments applicable

22 675 946

19 254 400

See Note 57

Bitou Local Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
12. Property, plant and equipment (continued)		
Assets subject to finance lease (Net carrying amount)		
Details of properties		
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Electricity Reticulation	1 783 077	-
Roads, Pavements, Bridges & Storm water	-	6 594 908
Sewerage Purification and Reticulation	3 003 454	9 883 314
Water reservoirs & Reticulation	11 685 089	9 467 222
Sports Grounds	869 565	292 146
Other Community assets	66 100	66 100
Other Assets	-	144 349
	17 407 285	26 448 039
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Infrastructure Assets	35 092 672	41 216 706
Community Assets	3 979 732	3 765 996
Other Assets	1 104 353	592 518
	40 176 757	45 575 220
Reasons for delay:		
- Budgeting/Funding Constraints		
- Delays with EIA Approvals		
- Delays with SCM Processes		
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Roads, Pavements, Bridges & Storm water	51 750	51 750
Electricity Reticulation	1 162 526	-
	1 214 276	51 750
Reasons for delay:		
Litigation matter relating to the Small Boat Harbour		
Awaiting Electrical Master Plan		
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs	5 064 265	3 314 396
Materials	5 765 169	8 327 291
Contracted services	22 248 612	13 084 668
Other expenses	222 839	-
	33 300 885	24 726 355

Land De-Recognized - IGRAP 18

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Figures in Rand	2019	2018
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12. Property, plant and equipment (continued)

Land De-recognised - IGRAP 18	26 167 012	-
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Following control assessments performed on land, it was established that substantive control linked to various parcels of land relating to the respective Housing Programmes, vests with the Department of Human Settlements. These portions of land were de-recognised, in accordance with IGRAP18..

Land Recognised - IGRAP18

Land Recognised - IGRAP 18	25 897 243	-
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Following control assessments performed on land, it was established that substantive control linked to various parcels of land, vests with the municipality. These included Public Places, registered at the deeds office in the names of private entities, but vests with the municipality in accordance with Spatial Planning and Land Use Management Act 16 of 23. These properties amounting to R 24 652 162, were recognised and included in the value disclosed above. In addition to these, various properties linked to Housing Programmes, were not registered at the deeds office. The portions of land relating to public open spaces, road reserves and other portions that vests with the municipality and amounting to R 1 245 081, were recognised and included in the value disclosed above.

13. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	27 733 089	(5 506 504)	22 226 585	27 733 089	(1 113 472)	26 619 617

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Total
Investment property	26 619 617	(4 392 494)	(538)	22 226 585

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	26 620 155	(538)	26 619 617

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Investment Property or for repairs, maintenance or enhancements.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	289 809	289 809
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14. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	548 722	(444 251)	104 471	548 721	(362 154)	186 567

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14. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	186 567	(82 096)	104 471

Reconciliation of intangible assets - 2018

	Opening balance	Disposals	Amortisation	Total
Computer software, other	316 122	(31 191)	(98 364)	186 567

Description

Microsoft Office and Widows software

Remaining
Amortisation
Period
5-10 Years

No intangible asset has an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

15. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	16 512	-	16 512	16 512	-	16 512
Other (specify class)	18 681	-	18 681	18 681	-	18 681
Total	35 193	-	35 193	35 193	-	35 193

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	16 512	16 512
Other (specify class)	18 681	18 681
	35 193	35 193

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	16 512	16 512
Other (specify class)	18 681	18 681
	35 193	35 193

Age and/or condition of heritage assets

Heritage Assets consist of historical land and the Mayoral chain.

The assets were measured at cost.

Restrictions on heritage assets

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15. Heritage assets (continued)

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

Pledged as security

There are no Heritage assets pledged as security for liabilities.

Contractual commitments for the acquisition, maintenance and restoration of heritage assets

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

Heritage assets used for more than one purpose

There are no Heritage Assets that are used by the municipality for more than one purpose.

16. Investments

Total Non-Current Investments

Fixed deposits	7 602 754	6 852 559
Total Non-Current Investments	7 602 754	6 852 559

A non-current investment to establish a Sinking Fund, amounted to R5,243,673.32 was re-invested with Nedbank Ltd to serve as a contractual collateral on loan accounts WC 13665 and WC 100225 from Development Bank of Southern Africa.

Interest accrued on the investment is capitalized annually.

17. Inventories

Consumable stores at Cost	13 745 373	9 921 971
Water at Cost	104 829	160 943
Unsold Properties Held for Resale / Housing Inventory	1 852 543	-
	15 702 745	10 082 914

Consumable stores materials increase / (write down) due to losses as identified during the annual stores counts.	(17 886)	(56 815)
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Consumable stores materials increase / (write down) due to obsolete stock identified.	(182 858)	-
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Consumable stores Value Increase / (Write-down) due to Net Realisable Value as at 30 June 2019	2 098	-
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Inventory recognised as an expense during the year	8 586 364	8 265 119
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Inventory pledged as security

No inventory assets were pledged as security for liabilities.

Water for distribution

Opening balance		160 943	-
Water losses	33	(56 114)	160 943
Closing balance		104 829	160 943

18. Trade and other receivables from exchange transactions

Consumer debtors - Electricity	19 380 978	15 215 509
Consumer debtors - Water	8 730 449	8 660 555
Consumer debtors - Waste water	-	-

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Figures in Rand	2019	2018
18. Trade and other receivables from exchange transactions (continued)		
Consumer debtors - Sewerage	5 906 457	4 727 568
Consumer debtors - Refuse	3 532 139	2 867 315
Consumer debtors - Housing	127 644	177 937
Consumer debtors - Other	4 739 342	1 926 603
	42 417 009	33 575 487

As at 30 June 2019	Gross Balances R	Provision for impairment R	Total R
Electricity	27 827 452	(8 446 475)	19 380 977
Water	62 079 704	(53 349 255)	8 730 449
Sewerage	68 137 513	(62 231 056)	5 906 457
Sundries	8 267 790	(3 528 448)	4 739 342
Refuse Removal	40 656 149	(37 124 010)	3 532 139
Housing	1 022 768	(895 124)	127 644
	-	-	-
Total	207 991 376	(165 574 368)	42 417 008

As at 30 June 2018	Gross Balances R	Provision for impairment R	Total R
Electricity	20 905 712	(5 816 886)	15 088 826
Water	32 625 580	(24 594 500)	8 031 080
Sewerage	38 736 353	(34 008 785)	4 727 568
Sundries	5 776 621	(3 093 859)	2 682 762
Refuse Removal	24 005 584	(21 138 269)	2 867 315
Housing	899 497	(721 560)	177 937
Total	122 949 347	(89 373 859)	33 575 488

Ageing of Receivables from Exchange Transactions:

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

(Electricity) : Ageing

Current (0- 30 Days)	15 119 773	12 871 095
31 - 60 days	1 165 634	775 546
61 - 90 days	958 335	531 417
+90 days	10 583 710	6 727 654
	27 827 452	20 905 712

(Water) : Ageing

Current (0- 30 Days)	11 439 195	8 441 183
31 - 60 days	3 267 631	1 377 772
61 - 90 days	3 147 094	1 104 976
+90 days	44 225 784	21 701 649
	62 079 704	32 625 580

(Sewerage) : Ageing

Current (0- 30 Days)	9 695 789	6 401 629
31 - 60 days	3 053 592	1 351 068
61 - 90 days	2 897 759	1 243 094
+90 days	52 490 374	29 740 561

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18. Trade and other receivables from exchange transactions (continued)

68 137 514 38 736 352

(Sundries): Ageing

Current (0- 30 Days)
31 - 60 days
61 - 90 days
+90 days

2 415 769	670 950
34 395	64 467
29 540	73 042
5 788 086	4 968 162
8 267 790	5 776 621

(Refuse) : Ageing

Current (0- 30 Days)
31 - 60 days
61 - 90 days
+90 days

5 690 416	3 924 154
1 785 764	791 440
1 694 132	724 787
31 485 836	18 565 203
40 656 148	24 005 584

(Housing) : Ageing

Current (0- 30 Days)
31 - 60 days
61 - 90 days
+90 days

79 087	81 730
22 566	19 056
22 455	18 805
898 660	779 907
1 022 768	899 498

(Total) : Ageing

Current (0- 30 Days)
31 - 60 days
61 - 90 days
+90 days

44 440 031	32 390 741
9 329 582	4 379 349
8 749 315	3 696 121
145 472 451	82 483 136
207 991 379	122 949 347

Summary of Debtors by Customer Classification

30 June 2019

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+90 Days
Less: Provision for Debt Impairment

Residential	Industrial/ Commercial	National and Provincial Government
37 253 398	6 826 827	359 806
8 617 692	572 836	139 054
8 231 711	391 845	125 759
138 901 111	5 018 190	1 553 150
(161 647 624)	(3 363 323)	(563 421)
31 356 288	9 446 375	1 614 348

Summary of Debtors by Customer Classification

30 June 2018

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
+90 Days

Residential	Industrial/ Commercial	National and Provincial Government
26 169 488	5 844 918	376 301
3 869 626	371 552	138 171
3 326 326	239 168	130 627
76 757 594	4 008 974	1 716 604

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
18. Trade and other receivables from exchange transactions (continued)		
Less: Provision for Debt Impairment	(85 842 440)	(3 147 728)
	24 280 594	1 978 012

Trade and other receivables pledged as security

No Receivables are pledged as security for financial liabilities

Fair value of trade and other receivables

Due to the short term nature of receivables the carrying amount disclosed in note 18 of the financial statements is an approximation of its fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	89 373 858	62 894 994
Provision for impairment	76 200 510	23 025 358
VAT on Provision	-	3 453 506
	165 574 368	89 373 858

The total amount of this provision consist of:

	2019	2018
Electricity	8 446 475	5 816 886
Water	53 349 255	24 594 500
Refuse	37 124 010	21 138 269
Sewerage	62 231 056	34 008 785
Housing	895 124	753 827
Sundry Receivables	3 528 448	3 061 591
	165 574 368	89 373 858

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19. Receivables from non-exchange transactions

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	59 898 488	75 264 453
Provision for impairment Traffic Fines	26 932 518	(28 162 773)
Provision for impairment Rates	3 421 360	12 796 808
	90 252 366	59 898 488

The total amount of this provision is R 90 252 365 and consists of:

	2019	2018
Rates (Taxes)	25 703 757	22 282 397
Fines	64 548 608	37 616 090
Total Provision for Debt Impairment on Trade Receivables from non - exchange transaction	90 252 365	59 898 487

As at 30 June 2019

Gross Balances R Provision for impairment R Total R

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
19. Receivables from non-exchange transactions (continued)		
Rates	41 893 900 (25 703 757)	16 190 143
Sundries	(74 132)	(74 132)
Traffic Fines	72 529 280 (64 548 608)	7 980 672
Total	114 349 048 (90 252 365)	24 096 683

As at 30 June 2018

	Gross Balances R	Provision for impairment R	Total R
Rates	35 476 140	(22 282 397)	13 193 743
Sundries	238 130	-	238 130
Traffic fines	88 336 960	(37 616 090)	50 720 870
Total	124 051 230	(59 898 487)	64 152 743

Ageing of Receivables from Non-Exchange Transactions:

(Rates) : Ageing

Current (0- 30 Days)	9 778 802	9 354 629
31 - 60 days	1 539 363	1 371 614
61 - 90 days	1 389 831	1 686 383
+90 days	29 185 904	23 063 514
	41 893 900	35 476 140

Summary of Debtors(Rates) by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
30 June 2019	-	-	-
Current (0 - 30 days)	7 847 290	1 589 437	48 227
31 - 60 Days	1 136 262	378 944	24 157
61 - 90 Days	1 023 929	341 546	24 355
+ 90 Days	19 801 175	7 739 326	1 939 250
Less: Provision for Debt Impairment	(18 664 591)	(6 124 993)	(914 173)
Total	11 144 065	3 924 260	1 121 816

Summary of Debtors(Rates) by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
30 June 2018	-	-	-
Current (0 - 30 days)	7 796 032	1 469 916	88 680
31 - 60 Days	975 556	351 242	44 817
61 - 90 Days	1 104 553	536 695	45 135
+ 90 Days	15 539 325	4 772 672	2 751 517
Less: Provision for Debt Impairment	(17 227 211)	(4 512 719)	(542 467)
Total	8 188 255	2 617 806	2 387 682

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

AUDITOR GENERAL
SOUTH AFRICA

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

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19. Receivables from non-exchange transactions (continued)

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

Receivables from non-exchange transactions pledged as security

No Receivables are pledged as security for financial liabilities

Fair value of receivables from non-exchange transactions

Due to the short term nature of receivables the carrying amount disclosed in note 19 of the financial statements is an approximation of its fair value.

20. Operating lease asset / liability (accrual)

Current assets	326 972	310 852
Current liabilities	(344 346)	(361 247)
	(17 374)	(50 395)

A further breakdown/ explanation can be found under note 57 sub-heading Operating lease

21. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18 180	15 180
Bank balances	26 763 810	59 483 835
Short-term deposits	63 307 309	81 314 177
	90 089 299	140 813 192

Cash and cash equivalents comprises of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Reconciliation of Available Cash and Investment Resources

The following are Cash and Investment Resources held by the entity that are held by the Municipality but may not be used for other than the intended purpose as stated below:

Cash and Cash Equivalent	90 089 298	140 813 192
Long Term Deposits/ Investments	7 602 754	6 852 559
	97 692 052	147 665 751
Less:		
Unspent Transfers and Subsidies	(1 903 078)	(2 120 348)
Unspent Public Contributions	(211 730)	-
Secured Investments - DBSA NedBank	(5 244 000)	(5 244 000)
Consumer Deposits	(8 354 079)	(7 996 388)
Capital Replacement Reserve	(81 000 000)	(48 854 892)
Resources available for working capital requirements	979 165	83 450 123

The municipality had the following bank accounts


AUDITOR - GENERAL
SOUTH AFRICA

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

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21. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank George-Account Number 082599343 (Previous Primary Bank Account)	-	-	7 168 399	-	-	-
Standard Bank George-Account Number 282032371 (Direct Deposits)	-	-	1 485 854	-	-	-
Standard Bank George-Account Number 082608288 (ACB)	-	-	5 623	-	-	-
Standard Bank George-Account Number 082592535 (Previous Traffic Account)	-	-	896 561	-	-	-
Nedbank- Account Number 1089911513 (Current Primary Bank Account)	26 183 315	58 494 923	63 516 264	-	-	-
Nedbank- Account Number 1089913079 (Current Traffic Account)	84 072	72 571	107 545	-	-	-
Nedbank- Account Number 1089913974 (Current Direct Deposits)	345 858	1 190 080	577 163	-	-	-
Nedbank- Account Number 1147931046	-	-	272 196	-	-	-
Cash Book	-	-	-	26 763 810	59 483 835	73 033 220
Total	26 613 245	59 757 574	74 029 605	26 763 810	59 483 835	73 033 220

22. Property taxes

Rates received

Residential	108 135 046	101 744 004
Commercial	15 029 347	14 187 417
State	3 311 288	3 217 420
Small holdings and farms	2 090 158	1 772 355
Industrial	903 285	868 586
Other	47 350	20 428
	129 516 474	121 810 210

Valuations

Residential	21 383 858 300	21 387 395 800
Commercial	1 805 035 500	1 821 570 500
State	358 059 500	358 059 500
Small holdings and farms	1 614 110 000	1 602 790 000
Industrial	101 734 500	101 734 500
Other	99 846 000	126 957 500
	25 362 643 800	25 398 507 800

Assessment Rates are levied on the value of land and improvements, for which a valuation must be performed every 5 years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations, consolidations and subdivisions. A new roll was implemented from 1 July 2017.

The tariff for residential properties are used as the basis for the calculation of property rates for all other categories. A Business will pay 67% more than a household and farms or rural properties will pay 75% less than residential households.

Rates are levied annually on property and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly installments. Monthly rates are payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

Bitou Local Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
22. Property taxes (continued)		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
Basic Rate		
Residential	0.518	0.489
Commercial	0.867	0.818
Agriculture	0.129	0.122
23. Government grants and subsidies		
Operating grants		
Equitable share	83 030 735	74 039 000
Extended Public Works Program (EPWP)	2 615 000	2 232 000
Local Government Financial Management Grant (FMG)	1 550 000	1 550 000
Housing Grants	39 097 116	32 738 997
LGSETA Grant	-	345 084
Fire Services Capacity Grant	-	1 449 810
Financial Management Capacity Grant	412 522	157 312
Community Development Workers (CDW)	13 658	5 375
Library Grant	1 926 000	1 800 000
Municipal Replacement Funding (MRF)	7 796 254	7 440 244
Proclaimed Roads Maintenance	4 219	1 589 000
Finance Management Support Grant - mSCOA	381 469	330 000
Funding for Asset Replacement	-	2 595 375
Fire Disaster Public Funding	-	280 366
Local Government Graduate Internship Grant	11 000	50 976
National Disaster Management Grant	4 143 600	190
Financial Management Support Grant	-	1 000 000
Thusong	100 000	-
LGSETA	214 892	-
	141 296 465	127 603 729
Capital grants		
Municipal Infrastructure Grant (MIG)	26 603 936	27 739 791
National Electrification Programme (INEP)	7 913 128	10 000 000
Housing Grants	50 158 813	-
Financial Management Capacity Grant - Drought	-	1 800 000
Allocations in Kind	311 031	-
Municipal Replacement Funding (MRF)	778 363	556 740
National Disaster Management Grant	4 389 292	10 920 000
	90 154 563	51 016 531
	231 451 028	178 620 260
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	148 420 293	101 705 519
Unconditional grants received	83 030 735	76 914 741
	231 451 028	178 620 260
Equitable Share		
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
Balance unspent at beginning of year	-	-
Current-year receipts	83 030 735	74 039 000

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
23. Government grants and subsidies (continued)		
Conditions met - transferred to revenue - Operating	(83 030 735)	(74 039 000)
	-	-
Library Conditional Grant		
Current-year receipts	1 926 000	1 800 000
Conditions met - transferred to revenue - Operating	(1 926 000)	(1 800 000)
	-	-
Conditions still to be met - remain liabilities (see note 9).		
Job creation projects in previous disadvantage areas		
Local Government Financial Management Grant (FMG)		
Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue - Operating	(1 550 000)	(1 550 000)
	-	-
Conditions still to be met - remain liabilities (see note 9).		
The Financial Management Grant is paid by National Treasury to medium capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	2 281 791
Current-year receipts	26 642 000	25 458 000
Conditions met - transferred to revenue - Capital	(26 603 936)	(27 739 791)
	38 064	-
Conditions still to be met - remain liabilities (see note 9).		
The grant was used to upgrade infrastructure in previously disadvantaged areas, paid by National Treasury.		
Housing Grants		
Balance unspent at beginning of year	1 220 995	(14 480 575)
Current-year receipts	64 191 276	48 440 566
Conditions met - transferred to revenue - Operating	(39 097 116)	(32 738 996)
Conditions met - transferred to revenue - Capital	(50 158 813)	-
	(23 843 658)	1 220 995
Conditions still to be met - remain liabilities (see note 9).		
Housing grants was utilised for the development of erven and the erection of top structures, paid by the Provincial Government.		
National Electrification Programme		
Current-year receipts	8 000 000	10 000 000
Conditions met - transferred to revenue - Capital	(7 913 128)	(10 000 000)
	86 872	-
Conditions still to be met - remain liabilities (see note 9).		
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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23. Government grants and subsidies (continued)

LGSETA Grant

Current-year receipts	534 758	345 084
Conditions met - transferred to revenue - Operating	(214 892)	(345 084)
	319 866	-

Conditions still to be met - remain liabilities (see note 9).

The grant was received from the National Treasury for the construction of a Desalination Plant to assist us in drought situations.

Financial Management Support Grant - mSCOA

Current-year receipts	330 000	330 000
Conditions met - transferred to revenue - Operating	(381 469)	(330 000)
	(51 469)	-

Conditions still to be met - remain liabilities (see note 9).

Financial Management Capacity Grant

Balance unspent at beginning of year	202 687	119 999
Current-year receipts	360 000	240 000
Conditions met - transferred to revenue - Operating	(412 522)	(157 312)
Re-payment of Unspent Grant	(9 023)	-
	141 142	202 687

Conditions still to be met - remain liabilities (see note 9).

The Grant was received from Provincial Government to assist with the implementation of Performance Management in the Municipality.

Community Development Workers (CDW)

Balance unspent at beginning of year	13 625	-
Current-year receipts	-	19 000
Conditions met - transferred to revenue - Operating	(13 658)	(5 375)
	(33)	13 625

Conditions still to be met - remain liabilities (see note 9).

The grant was received from the Provincial Department of Local Government and Housing to assist with the operating cost of the CDW program.

Local Government Graduate Internship Grant

Balance unspent at beginning of year	75 024	60 000
Current-year receipts	72 000	66 000
Conditions met - transferred to revenue - Operating	(11 000)	(50 976)
	136 024	75 024

Conditions still to be met - remain liabilities (see note 9).

The grant was received from the Provincial Department of Local Government to assist with the operating cost of libraries. The funds should be used to assist with the appointment of temporary staff and literacy projects. No funds were withheld.

Municipal Replacement Funding (MRF)

Balance unspent at beginning of year	608 015	(1)
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Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
23. Government grants and subsidies (continued)		
Current-year receipts	8 950 000	8 605 000
Conditions met - transferred to revenue - Operating	(7 796 254)	(7 440 244)
Conditions met - transferred to revenue - Capital	(778 362)	(556 740)
	983 399	608 015

Conditions still to be met - remain liabilities (see note 9).

This grant was received as a contribution for the operational cost of the libraries

Proclaimed Roads Maintenance

Current-year receipts	-	1 589 000
Conditions met - transferred to revenue - Operating	(4 219)	(1 589 000)
	(4 219)	-

Conditions still to be met - remain liabilities (see note 9).

This subsidy was for maintenance on main roads , belonging to the Western Cape Government

Financial Management Capacity Support Grant

Current-year receipts	-	1 800 000
Conditions met - transferred to revenue - Capital	-	(1 800 000)
	-	-

Conditions still to be met - remain liabilities (see note 9).

Extended Public Works Programme

Current-year receipts	2 615 000	2 232 000
Conditions met - transferred to revenue - Operating	(2 615 000)	(2 232 000)
	-	-

Conditions still to be met - remain liabilities (see note 9).

Financial Management Support Grant - Drought

Current-year receipts	-	1 000 000
Conditions met - transferred to revenue - Operating	-	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 9).

Municipal Disaster Recovery Grant [Schedule 5B] received from the Provincial Government for disaster support.

National Disaster Management Grant

Current-year receipts	4 587 000	10 920 000
Conditions met - transferred to revenue - Capital	(4 389 292)	(10 920 000)
	197 708	-

Conditions still to be met - remain liabilities (see note 9).

Municipal Disaster Management Grant received from the Provincial Government for disaster support.

Disaster Management Emergency Housing

Current-year receipts	3 988 200	-
Conditions met - transferred to revenue - Operating	(4 143 600)	-
	(155 400)	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
23. Government grants and subsidies (continued)		
Conditions still to be met - remain liabilities (see note 9).		
Disaster Management Emergency Housing Grant received from the Provincial Government for disaster support.		
Funding for asset replacement		
Current-year receipts	-	2 595 375
Conditions met - transferred to revenue - Operating	-	(2 595 375)
	-	-
Conditions still to be met - remain liabilities (see note 9).		
Funding donated from various stakeholders from the Public to replace assets		
Fire Disaster public funding		
Balance unspent at beginning of year	-	272 196
Current-year receipts	-	8 170
Conditions met - transferred to revenue - Operating	-	(280 366)
	-	-
Conditions still to be met - remain liabilities (see note 9).		
This refers to Public Funds received i.r.o the Fire Disasters during June 2017		
Neighbourhood Development Partnership Grant		
Balance unspent at beginning of year	1	1
Conditions still to be met - remain liabilities (see note 9).		
Thusong Grant		
Current-year receipts	100 000	-
Conditions met - transferred to revenue - Operational	(100 000)	-
	-	-
Conditions still to be met - remain liabilities (see note 9).		
Total Grants		
Opening Balances	2 120 348	(11 746 587)
Grants received	207 187 999	192 487 194
Conditions met - Operating	(141 296 465)	(124 727 987)
Conditions met - Capital	(90 154 562)	(51 016 531)
Unconditional -Operating	-	(2 875 741)
Repaid to National Revenue Fund	(9 024)	-
	(22 151 704)	2 120 348
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	1 903 075	2 120 348
Unpaid Conditional Government Grants and Receipts	(24 054 779)	-
	(22 151 704)	2 120 348
Conditions still to be met - remain liabilities (see note 9).		
24. Public contributions and donations		
Nedbank - LED Contribution	228 270	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
24. Public contributions and donations (continued)		
Reconciliation of conditional contributions		
Balance unspent at beginning of year	-	-
Current-year receipts	440 000	-
Conditions met - transferred to revenue	(228 270)	-
	211 730	-

Conditions still to be met - remain liabilities (see note 9)

25. Service charges

Sale of electricity	155 534 781	133 955 630
Sale of water	80 846 368	77 541 594
Sewerage and sanitation charges	80 913 684	75 112 920
Refuse removal	47 184 426	43 276 737
Less: Revenue Forgone	(8 565 176)	(51 575 201)
	355 914 083	278 311 680

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26. Operational Revenue

Administrative Handling Fees	107 222	627
Breakages and Losses Recovered	2 258	3 989
Collection Charges	343 931	56 558
Discounts and Early Settlements	-	345 084
Landing Fees	672 525	962 333
Incidental Cash Surplus	4 457	-
Staff Recoveries	621 964	31 501
Third party payments	1 504 973	1 543 288
	3 257 330	2 943 380

27. Employee related costs

Basic	121 155 507	121 532 180
Bonus	9 329 842	9 036 388
Medical aid - company contributions	15 235 075	14 592 897
Contributions to UIF and Pensions	19 782 051	19 108 722
Leave pay provision charge	3 354 828	2 727 010
Travel, motor car, accommodation, subsistence and other allowances	8 820 534	7 724 448
Overtime payments	10 895 609	9 378 983
Long-service awards	5 750 042	1 370 939
Acting allowances	280 271	-
Housing benefits and allowances	1 062 998	1 229 261
Contribution to Post Employment Medical	(32 728 544)	3 782 295
Contributions to Group Insurance	3 991 736	3 680 014
Standby Allowance	2 763 720	2 347 572
Cellphone Allowances	1 565 659	1 421 343
Other Benefits	10 316	-
	171 269 644	197 932 052

Remuneration of Municipal Manager: Mr. TC Ndlovu

Annual Remuneration	781 108	1 269 294
Car Allowance	154 000	264 000
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1 190	17 304
Cell Phone Allowance	35 000	60 000
	971 298	1 610 599

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
27. Employee related costs (continued)		
Period 01/07/2018 - 31/01/2019		
Remuneration of chief finance officer: Mr. BV Mkhafa		
Annual Remuneration	1 094 626	1 042 809
Car Allowance	144 000	144 000
Annual Bonuses	69 247	37 776
Contributions to UIF, Medical and Pension Funds	1 785	14 441
Cell Phone	60 000	60 000
	1 369 658	1 299 026
Remuneration of Director Infrastructure: Mr. MJ Rhode		
Annual Remuneration	1 247 649	81 818
Car Allowance	62 400	5 200
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1 785	1 017
Cell Phone Allowance	65 000	-
	1 376 834	88 035
Remuneration of Director Strategic Services: Mr. D Friedman		
Annual Remuneration	1 175 774	1 125 070
Car Allowance	240 000	240 000
Annual Bonuses	-	93 079
Contributions to UIF, Medical and Pension Funds	30 782	41 650
Cell Phone Allowance	27 600	27 600
Acting Allowance	-	9 518
	1 474 156	1 536 917
Remuneration of Director Community Services: Mr. TM Sompani		
Annual Remuneration	847 266	-
Car Allowance	220 000	-
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1 636	-
Cell Phone Allowance	55 000	-
	1 123 902	-
Period 01/08/2018 - 30/06/2019		
Remuneration of Director Corporate Services: Me. VJ Mbelani		
Annual Remuneration	1 002 684	927 212
Car Allowance	96 000	127 500
Annual Bonuses	63 999	32 585
Contributions to UIF, Medical and Pension Funds	1 785	13 024
Cell Phone Allowance	60 000	60 000
	1 224 468	1 160 321
Remuneration of Municipal Manager: Mr. LMR Ngoqo		
Annual Remuneration	356 391	-
Car Allowance	80 000	-
Contributions to UIF, Medical and Pension Funds	13 249	-
Cell Phone Allowance	20 000	-
Settlement	536 335	-
	1 005 975	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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27. Employee related costs (continued)

Period 1 March - 30 June 2019

Remuneration of Director Infrastructure: Me. P Ngqumshe

Annual Remuneration	-	583 724
Car Allowance	-	55 000
Contributions to UIF, Medical and Pension Funds	-	81 630
Cell Phone Allowance	-	11 500
Leave Pay	-	75 347
	-	807 202

Remuneration of Acting Municipal Manager: Mr. JB Douglas

Annual Remuneration	-	376 469
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28. Remuneration of councillors

Executive Mayor	872 150	834 192
Deputy Executive Mayor	706 599	632 363
Mayoral Committee Members	1 330 426	1 316 358
Speaker	706 600	50 691
Councillors	2 534 601	3 204 726
	6 150 376	6 038 330

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor and The Executive Deputy Mayor have use of a Council owned vehicle for official duties.

The Mayor has three full-time bodyguards. The Deputy Mayor has two full-time bodyguards.

Councillor Salary Breakdown in Note 44

29. Impairment

Property, plant and equipment	18 014 604	-
Investment property	4 389 494	-
Trade and other receivables	69 304 768	22 159 637
Other receivables from non-exchange revenue	27 310 422	13 662 530
	119 019 288	35 822 167

Reversal of impairments

Other receivables from non-exchange revenue	-	(28 162 773)
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Total impairment losses (recognised) reversed

119 019 288	7 659 394
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30. Bad Debts Written Off

Bad debts written off	70 705 763	31 341 357
-----------------------	------------	------------

31. Depreciation and amortisation

Property, plant and equipment	31 244 572	30 577 020
Investment property	538	538
Intangible assets	82 095	98 364
	31 327 205	30 675 922

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
32. Finance costs		
Non-current borrowings	16 878 911	15 676 258
Landfill Restoration Cost	1 538 477	2 361 610
	18 417 388	18 037 868
33. Bulk purchases		
Electricity - Eskom	117 239 900	107 091 556
Water	415 205	-
	117 655 105	107 091 556
Electricity losses		
Units purchased	109 631 655	108 499 143
Units sold	(89 113 565)	(86 380 623)
Total loss	20 518 090	22 118 520
Comprising of:		
Technical losses	10 466 388	14 303 874
Percentage Loss:		
Technical losses	10 %	13 %
Water losses		
Units purchased	3 762 205	3 218 167
Units sold	(2 688 038)	(2 481 915)
Total	1 074 167	736 252
Comprising of:		
Technical losses	1 074 167	685 636
Percentage Loss:		
Technical losses	29 %	21 %
34. Contracted services		
Outsourced Services		
Burial Services	123 581	71 100
Business and Advisory	2 847 566	-
Catering Services	897 967	486 990
Cleaning Services	1 169 638	20 340
Clearing and Grass Cutting Services	892 727	1 241 677
Connection/Dis-connection	200 985	32 733
Drivers Licence Cards	-	246 762
Electrical Engineering Services	86 211	347 715
Fire Services	604 395	-
Hygiene Services	-	9 045
Illegal Dumping	1 746 099	-
Litter Picking and Street Cleaning	448 505	196 347
Meter Management	138 684	1 077 954
Organic and Building Refuse Removal	716 657	-
Personnel and Labour	-	167 722
Removal of Structures and Illegal Signs	122 485	63 945
Researcher	677 096	-
Security Services	9 837 271	9 048 605
Sewerage Services	-	215 450
Traffic Fines Management	2 799 958	2 721 001
Transport Services	23 800	60 768
Water Tankers	-	117 018

Bitou Local Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
34. Contracted services (continued)	23 333 625	16 125 172
Consultants and Professional Services		
Accounting and Auditing	1 287 190	2 502 591
Aeronautical	-	37 833
Architectural	-	492 820
Business and Financial Management	370 300	656 858
Civil Engineering Services	33 368 159	21 817 890
Collection Services	483 215	112 888
Electrical Engineering Services	710 203	4 430
Human Resources Services	269 219	1 053 554
Legal Advice and Litigation	7 498 850	6 257 984
Medical Examinations	44 940	17 935
Occupational Health and Safety	19 603	122 999
Project Management	1 000 000	1 886 426
Quality Control	43 122	2 239 473
Research and Advisory	331 882	706 984
Town Planner	1 589 143	174 027
Valuer and Assessors	699 888	433 130
Water Engineering Services	77 693	148 242
	47 793 407	38 666 064
Contractors		
Building	5 020 460	-
Chipping	193 500	-
Catering Services	321 241	626 539
Electrical Engineering Services	1 979 490	328 021
Employee Wellness	60 000	-
Event Promoters	1 000 000	-
First Aid	2 119	12 766
Fire Protection	-	933 422
Forestry	216 006	161 696
Haulage	2 554 996	1 985 402
Maintenance of Buildings and Facilities	5 891 070	2 406 640
Maintenance of Equipment	2 173 277	2 026 100
Maintenance of Unspecified Assets	11 686 879	3 669 090
Pest Control and Fumigation	1 182 865	154 223
Photographer	-	1 159 304
Plants, Flowers and Other Decorations	-	7 362
Removal of Hazardous Waste	3 549	-
	32 285 452	13 470 565
	103 412 484	68 261 801
35. Operational Cost		
Advertising	2 470 480	1 532 522
Assets below Threshold	262 955	105 545
Audit Fees	2 916 541	2 398 201
Bank charges	2 782 153	2 936 938
Bursaries	449 406	437 218
Commission paid	841 535	681 170
Congresses and seminars	116 587	1 736 369
Courier and Delivery Services	-	49 528
Entertainment	-	113 257
Fuel and oil	8 303 887	7 309 044
Gifts and Promotions	-	73 571
Hire	6 649 400	8 542 588
Insurance	1 654 433	1 784 234
Learnerships and Internships	9 134 468	8 816 452
License Fees	10 220 699	3 385 259

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
35. Operational Cost (continued)		
Vehicle Tracking	294 230	328 720
Other expenses	707 346	-
Postage	963 643	815 848
Printing and stationery	452 120	27 844
Protective clothing	1 026 436	1 576 647
Skills Development Levy	1 797 168	57 183
Subscriptions and membership fees	4 682 273	2 160 593
System Support	362 795	3 606 288
Telephone and fax	1 635 348	1 685 501
Title deed search fees	150 000	-
Travel - local	1 857 571	1 172 661
Union Representative	144 766	84 107
Utilities - Other	62 985	-
Ward Committees	393 667	544 467
	60 332 892	51 961 755
36. Cash generated from operations		
Surplus	25 525 844	100 595 860
Adjustments for:		
Depreciation and amortisation	31 327 205	30 675 922
Loss on sale of assets and liabilities	47 469 782	4 106 189
Gains on sale of Assets and Liabilities	(476 070)	-
Water Losses	2 179 425	2 262 599
Inventories (losses)/write-downs	(1 884 834)	(2 919 744)
Impairment deficit	119 019 288	7 659 394
Bad debts written off	70 705 763	31 341 357
Movements in operating lease assets and accruals	(33 021)	26 621
Movements in retirement benefit assets and liabilities	(27 578 275)	5 189 040
Movements in provisions	1 482 410	1 092 191
Contributed Assets	(26 235 243)	-
Rounding	(5)	1
Changes in working capital:		
Inventories	(5 914 422)	(1 606 935)
Trade and other receivables from exchange transactions	(78 146 290)	(79 549 052)
Consumer debtors	(70 705 763)	-
Other receivables from non-exchange transactions	12 745 637	-
Trade and other Payables from exchange transactions	(24 199 320)	6 889 523
VAT	7 861 124	(5 448 828)
Conditional grants and receipts	(24 272 048)	14 139 132
Unspent Public Contributions	211 730	(272 196)
	59 082 917	114 181 074
37. Unauthorised expenditure		
Opening balance as previously reported	30 875 864	58 345 112
Correction of prior period error	-	(27 469 248)
Opening balance as restated	30 875 864	30 875 864
Unauthorised expenditure current year - operational	221 455 731	-
Unauthorised expenditure current year - Capital	28 603 768	-
Closing balance	280 935 363	30 875 864
38. Fruitless and wasteful expenditure		
Opening balance as previously reported	-	305 950
Opening balance as restated	-	305 950
Fruitless and Wasteful - current year	645 683	-
Less: Amount written off - prior period	-	(305 950)
Closing balance	645 683	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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38. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Invoice 27 dated 25/09/2018	Under Investigation	16 400	-
EMPSA dated 15/01/2019	Under Investigation	261 333	-
EMPSA dated 28/05/2019	Under Investigation	9 498	-
SABC TV License not paid timeously.	Under Investigation	503	-
Extension of Time Claim - Housing	Under Investigation	357 949	-
		645 683	-

39. Irregular expenditure

Opening balance as previously reported	16 398 843	16 781 473
Opening balance as restated	16 398 843	16 781 473
Add: Irregular Expenditure - Current	48 337 016	16 714 207
Less: Amount written off - current	-	(480 673)
Less: Amount written off - prior period	-	(16 616 164)
Closing balance	64 735 859	16 398 843

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
SCM Policy Section 16 (2) (a)	To be reported to Council	37 998	5 117 832
SCM Policy Section 17 (1)(a)	To be reported to Council	380 528	1 884 483
SCM Policy Section 17 (1)(a)	As identified by AG during Audit - to be reported to Council	24 985 866	-
SCM Policy Section 19 (1)	To be reported to Council	5 389 843	2 165 830
SCM Policy Section 52 (1) (a)	To be reported to Council	6 735 194	482 527
SCM Policy Section 54 (5)	To be reported to Council	1 523 469	432 886
SCM Policy Section 12		-	297 796
SCM Policy Section 21 (1)(f)	As identified by AG during Audit - to be reported to Council	520 615	-
SCM Policy Section 28 (1)(b)	As identified by AG during Audit - to be reported to Council	288 480	-
SCM Policy Section 45		-	30 870
SCM Policy Section 67		-	130 323
SCM Policy Section 18		-	420 710
SCM Policy Section 29		-	4 574 654
SCM Policy Section 36		-	291 810
SCM Policy Section 13		-	714 789
Section 5		-	2 681
PPFA Section 6.1		-	114 998
Regulation 32	As identified by AG during Audit	7 897 823	-
Government Gazette and Council Resolution	To be recovered	577 200	52 018
		48 337 016	16 714 207

Cases under investigation

The following COMAF amounts, which is included above, are not quantified given the population size and limited time availed

COMAF 27 - Winning Bidder offered second opportunity	40 654	-
COMAF 25 - Winning Bidder did not meet functionality criteria	139 120	-
COMAF 16 - Winning Bidder did not meet functionality criteria	155 080	-
COMAF 19 - Winning Bidder did not meet functionality criteria	133 400	-
COMAF 18 - Winning Bidder did not meet functionality criteria	520 615	-
	988 869	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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40. Risk management

Financial risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Municipalities' treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Municipality's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The landfill site was consistently reported as a liquidity risk for the past five years mainly because management holds the opinion that it is a risk encountered in the event of difficulty in meeting obligations associated with financial liabilities that are to be settled by delivering cash. The liability could not be financed by raising a loan and thus the municipality is depended on cash reserves as a resource to finance the future expenditure.

Although it is a legal obligation, it is also contractual obligations. The professional engineers who compiled the design and assisted with the tendering processes is already evident of the contractual obligations the municipality has because the landfill site is closed and is in the de-commissioning phase, which already started of which the cost and future cost would be allocated to the landfill provision

2019	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Long Term Liabilities	34 679 497	110 291 077	60 199 813	-
Landfill Site	11 552 091	24 174 762	-	-
Trade and Other Payables	38 686 155	-	-	-
	84 917 743	134 465 839	60 199 813	-
2018	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Long Term Liabilities	37 286 793	145 546 802	56 082 321	-
Trade and Other Payables	63 428 622	-	-	-
	100 715 415	145 546 802	56 082 321	-

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

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2018

40. Risk management (continued)

Balance past due not impaired:]

Non-Exchange Receivables

Rates and Other Sundry Debtors

Traffic Fines

2019	2019	2018	2018
15.15 %	6 337 209	11.42 %	4 077 244
11.06 %	8 020 672	57.42 %	50 720 870
26.21	14 357 881	68.84	54 798 114

Exchange Receivables

Electricity

Sundries

Housing Rentals

2019	2019	2018	2018
15.31 %	4 261 205	10.61 %	2 217 731
28.10 %	2 323 573	35.39 %	2 044 079
4.75 %	48 557	10.70 %	96 208
48.16	6 633 335	56.70	4 358 018

The provision for bad debts could be allocated between the different classes of debtors as follows:

Non-Exchange Receivables

Rates

Traffic Fines

2019	2019	2018	2018
10.05 %	25 703 757	10.87 %	22 282 397
25.23 %	64 548 608	25.20 %	37 616 090
35.28 %	90 252 365	36.07 %	59 898 487

Exchange Receivables

Electricity

Water

Sewerage

Refuse Removal

Housing Rentals

Other

2019	2019	2018	2018
8.56 %	8 446 475	6.51 %	5 816 886
37.15 %	53 349 255	27.52 %	24 594 500
40.81 %	62 231 056	38.05 %	34 008 785
29.15 %	37 124 010	23.65 %	21 138 269
0.98 %	895 124	0.81 %	721 560
3.76 %	3 528 448	3.46 %	3 093 859
120.41 %	165 574 368	100.00 %	89 373 859

The entity only enters into non-current investment transactions with major banks with high quality credit standing. An investment to the value of R 7 602 754 is held as security for a loan raised with DBSA. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets maximum exposure to credit risk at year end is as follows:

	2019	2018
Receivables from exchange transactions	42 417 010	33 575 488
Cash and Cash Equivalents	90 089 299	140 813 192
Investments	7 602 754	6 852 559
Long-term Receivables	7 855	12 161
	140 116 918	181 253 400

Market risk

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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40. Risk management (continued)

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

Sensitivity Analysis

	2019	2018
1% (2018: 1%) Increase in interest rates	(403 800)	(434 597)
1% (2018:1%) Decrease in interest rates	403 800	434 597
	-	-

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The Municipality is not exposed to price risk

41. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost 2019	At amortised cost 2018
House Loans (Long-Term Receivables)	7 855	12 162
Receivables from exchange transactions	42 417 010	33 575 488
Call Deposits	63 307 309	81 314 177
Bank Balances	26 763 809	59 483 835
Cash Floats and advances	18 180	15 180
Long Term Investments (Fixed Deposits)	7 602 754	6 852 559
	140 116 917	181 253 401

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

2019

2018

41. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost 2019	At amortised cost 2018
Annuity Loans (Long term Liabilities)	141 793 373	161 234 098
Trade Creditors	22 842 292	49 713 914
Retentions	9 156 164	7 938 229
Other Payables	6 687 699	5 776 479
	180 479 528	224 662 720

42. Events after the reporting date

The following events or circumstances arising after the reporting date have come to the attention of management that would require adjustments to or disclosure in the financial statements.

- Contingent Liability: Bitou Municipality & Others vs MEC, WCLG. Refer to Note 44

The court ruled in the favour of the MEC however, Bitou Municipality is appealing the ruling.

43. Contingent Liabilities

Rentworks Africa PTY Ltd

A High court application was lodged by the applicant to claim damages for breach of contract. The Municipality is opposing the application. In the event that the Municipality should lose the case, the Plaintiff alleged that they are entitled to R 7 737 683.79. **Total R 7 737 683.79**

Teniqua Wildfire Rehabilitation and Awareness

The Plaintiff issued summons against Bitou Municipality regarding an awarded tender for the maintenance and repair of a specified road, in the Regional Court. The plaintiff is suing for R 286 400. **Total R 286 400.00**

Bitou Local Municipality vs Minaar

Litigation was lodged by the applicant for personal injury. The plaintiff served and filed a Notice in terms of Section 24(10) to discover photos. The Claim cost is estimated at **R 250 000.00**

Horizon Forensics PTY Ltd/ Bitou Municipality

The claim against the Municipality is for R1 275 038.74. **Total R 1 275 038.74**

ECO Car Hire CC t/a ECO&VAN hire

An application was lodged by ECO CAR HIRE against Bitou Municipality. The Claim cost is **R 18 131.65**

Proudafrique 004 PTY Ltd t/a Powerhouse

Litigation was lodged by the Plaintiff against Bitou Municipality and the claim should the municipality loose will be **R 165 300.00**

44. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

Related party balances

Related party transactions

AUDITOR GENERAL
SOUTH AFRICA

30 NOV 2019

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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44. Related parties (continued)

Councillors - Rates and Services Levied 01 July - 30 June 2019	Rates and Services Billed	Outstanding Balance as at 30 June 2019
Councillor M.P. Lobese	31 199	-
Councillor S E Gcabayi	9 026	-
Councillor E.V Wildeman	26 486	(53)
Councillor M. M. Mbali	-	-
Councillor L. M. Seyisi	-	-
Councillor X Matyila	14 055	-
Councillor D Swarts	12 354	5 252
Councillor N.C Jacob	13 668	-
Councillor AS Windvogel	13 668	-
Councillor A.R. Olivier	14 990	-
Councillor W.J. Nel	20 894	-
Councillor J Kam Kam	22 514	10 224
Councillor N.S. Ndayi	14 055	-
Directors		
DJ Friedman	26 677	-

Since 1 July 2004 loans to councillors and Senior Management and Employees are not permitted.

The following purchases were made during the year where councillors or staff have an interest:

Company	Description	Relation	Name	Organ of State	Designation	Amount R
Shekynah Projects	Construction & Catering	Brother in Law	Ganga S	Bitou Municipality	Chief: Traffic Services	1 249 066
BITOU MUNICIPAL SPORT COUNCIL	Construction	Director	Windvogel J	Bitou Municipality	SCM Practitioner	480 000
MANUEL MAINTENANCE CC	Construction	Daughter	Manuel AB	Bitou Municipality	Library Assistant	397 079
SIDOMELA TRADING ENTERPRISE CC	Construction	Wife	Ngqoleka TW	Bitou Municipality	General Worker	296 556
EMAWUSHENI CONSTRUCTION	Catering	Sister	Siko M	Bitou Municipality	Property Officer	650 453
BEZUIDENHOUT FUNERAL SERVICES	Funeral Services	Wife	Bezuidenhout	Knysna Municipality	Chief: SCM Clerk	9 000
BILDMORE INVESTMENTS (PTY) LTD	Recycling and Collection Services	Uncle	Ganga S	Bitou Municipality	Chief: Traffic Services	160 900
KEMANZI (PTY) LTD	Water Purification Chemicals	Wife	Du Toit JN	City of Cape Town	Traffic Services: Inspector	191 303
NADESON CONSULTING SERVICES (PTY) LTD	Consulting Services	Director	Andrews B	Breede Valley Municipality	Manager: Engineering	248 459
KHWAYIKHWAYI CATERERS	Catering	Wife	Tom OG	Bitou Municipality	Controller CCTV	42 545
MIAAY SOUNDS (PTY) LTD	Sound System	Director	Zenzile M	Buffalo City Municipality	Communications	522 194

Remuneration of management

Mayoral committee members

2019

Name	Basic salary	Medical Aid	Pension	Other benefits received	Total
Lobese MP - Mayor	524 810	17 280	78 722	251 337	872 149
Gcabayi SE - Deputy Mayor	416 843	17 280	62 526	209 950	706 599
Wildeman EV - Speaker	420 890	-	75 760	209 950	706 600

Bitou Local Municipality

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Figures in Rand	2019	2018
44. Related parties (continued)		
Seyisi M	389 852	17 280
Mbali MM	465 610	-
	2 218 005	51 840
	275 486	1 070 443
	1 070 443	3 615 774

Councillors/Mayoral committee members

2019

Name	Basic salary	Medical Aid	Pension	Other benefits received	Total
Mayoral committee members	2 218 005	51 840	275 486	1 070 443	3 615 774
Councillor Olivier AR	262 302	-	-	44 400	306 702
Councillor Ndayi N	244 622	17 280	-	44 400	306 302
Councillor Matyila	222 675	-	39 228	44 400	306 303
Councillor Windvogel	257 703	-	4 198	44 400	306 301
Councillor Jacob NC	155 762	17 280	23 372	109 888	306 302
Councillor Nel WJ	196 414	-	-	109 887	306 301
Councillor Kam Kam J	261 645	-	-	128 443	390 088
Councillor Swart DJ	188 338	17 280	56 285	44 400	306 303
	4 007 466	103 680	398 569	1 640 661	6 150 376

45. Long term Receivables

Housing Selling Schemes - At amortised cost	7 855	12 161
Less: Current portion transferred to Receivables from Non-Exchange Transactions	(3 939)	(3 442)
	3 916	8 719

Prior to the effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a house. The house should be occupied by the staff member and should be the primary home of the staff member. The repayment period of these loans and the applicable interest rate is a maximum of 20 years and eight percent per annum, respectively.

The repayments applicable, are levied with the monthly consumer accounts, and outstanding amounts of these accounts are reflected as part of the outstanding receivables from exchange transactions.

The terms granted applicable to these loans are not more favourable than would be expected in market terms

46. Capital Replacement Reserve

Capital Replacement Reserve	81 000 000	48 854 892
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47. Rental of facilities and equipment

Premises		
Premises	754 249	1 010 429
Facilities and equipment		
Rental of facilities	70 694	92 048
	824 943	1 102 477

48. Agency services

Vehicle Registration	1 779 694	1 664 737
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49. Licences and permits (exchange)

Boat	100 547	16 538
Trading	39 850	39 338
Road and Transport	590 398	516 437
	730 795	572 313

Bitou Local Municipality

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50. Operating leases		
Motor vehicles		
Contractual amounts	142 706	-
Equipment		
Contractual amounts	20 129	-
Lease rentals on operating lease - Other		
Contractual amounts	3 828 914	4 043 104
	3 991 749	4 043 104
51. Interest Earned Exchange and Non Exchange Transactions		
Interest - Non-Exchange	2 652 221	1 963 169
Interest charged on trade and other receivables	10 872 559	6 025 214
	13 524 780	7 988 383
52. Other revenue		
Gains on Disposal of Assets	476 070	-
53. Interest received - Cash and Investments		
Interest revenue		
Bank	11 591 758	12 303 972
54. Contributed Assets		
Contributed Assets - PPE	25 900 243	-
Contributed Assets - Fire Department	335 000	-
	26 235 243	-
55. Water Losses		
Gains or losses arising from a change in fair value less point of sale costs	(2 179 425)	(2 262 599)
56. Statutory Receivables		
In accordance with the principles of GRAP 108, Statutory Receivables are classified as follows :		
Taxes		
Vat Receivable	1 885 618	9 746 742
Receivables from Non-Exchange Transactions		
Rates	41 893 900	35 479 140
Fines	72 529 280	88 336 960
Less: Provision for Debt Impairment	(90 252 365)	(59 898 487)
	24 170 815	63 917 613
57. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• SCM/2018/02/ENG	-	1 015 352
• SCM/2018/11/ENG	-	809 995
• SCM/2018/14/ENG	-	4 854 098
• SCM/2018/40/ENG	-	623 798
• SCM/2018/55/ENG	-	3 146 970
• SCM/2018/79/ENG	-	1 968 292
• SCM/2018/93/ENG	-	121 776
• SCM/2018/149/ENG	-	2 590 992
• SCM/2018/176/ENG	-	468 004
• SCM/2018/27/COMM	-	3 655 123
• SCM/2019/10/ENG	5 325 356	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
57. Commitments (continued)		
• SCM/2019/24/ENG	7 121 077	-
• SCM/2019/14/ENG	5 226 637	-
• SCM/2019/27/ENG	3 484 669	-
• SCM/2019/32/ENG	1 518 207	-
	22 675 946	19 254 400

Total capital commitments

Already contracted for but not provided for	22 675 946	19 254 400
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This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Government Grants and Subsidies	13 865 921	6 572 272
External Loans	-	4 975 874
Own Funds	8 810 025	7 706 253
	22 675 946	19 254 399

Operating leases - as lessee (expense)

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

The Municipality as Lessee

- within one year	1 886 272	2 516 187
- in second to fifth year inclusive	4 348 260	6 234 533
	6 234 532	8 750 720

This operating lease expenditure determined from contracts that have a specific condition expenditure and does not include leases which has a undetermined conditional expenditure.

Operating leases consists of agreements for building rentals

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

Operating leases - as lessor (income)

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

The Municipality as Lessor

- within one year	454 678	424 028
- in second to fifth year inclusive	1 649 086	2 103 765
- later than five years	35	35
	2 103 799	2 527 828

58. Corrections of Error in terms of GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality.

a) After the closure of the landfill site, a final detailed design report was submitted to the Department of Water Affairs. Due to design changes the, previous year provision was erroneous, and thus the previous year estimate now retrospectively adjusted as an correction of error with an amount of R8 972 870.36 (2017) and R380 035.72 (2018).

b) Moveable assets with cost price of R228 549.46 previously written off , are now recovered. The recovered assets are now retrospectively corrected and depreciated with R97 864.25 (2017) and R28 255.04 (2018)

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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58. Corrections of Error in terms of GRAP 3 (continued)

c) The population relating to fines were revisited and additional support was obtained regarding the closing balance of fines due to the municipality, for the period ending 30 June 2018. The additional support indicated that the fines were overstated, which was subsequently corrected. Thus the previous year estimate was adjusted as an correction of error with an amount of R17 470 871 (2018) for Fines Revenue and R55 719 705.35 (2018) for Debt Impairment in respect of Fines

d) During the asset verification process, it was found that Land and Buildings were not recognised in previous financial periods. These assets are now recognised at cost with a value of R R 4 621 718.00. The depreciation linked to buildings have also been adjusted retrospectively, R286 338.45 (2017) and R 47 457.45 (2018).

e) Unclaimed monies was prematurely recognised as Revenue every 12 months and not every 3 years as prescribed. The Unclaimed Monies Liability have also been adjusted retrospectively, R 382 289 (2017) and R 682 172 (2018). Revenue with regards to Forfeits has also being reduced a net effect of R 39 350 (2018)

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Restated
Fines, Penalties and Forfeits		52 036 131	(17 510 221)	34 525 910
Finance Cost		(17 657 832)	(380 036)	(18 037 868)
Depreciation and Amortisation		(30 600 210)	(75 712)	(30 675 922)
Debt Impairment		(63 379 098)	55 719 705	(7 659 393)
Surplus for the year		(59 601 009)	37 753 736	(21 847 273)

Cash flow statement

2018

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Ratepayers and other		370 142 100	(39 350)	370 102 750
Suppliers and employees		(451 110 998)	6 223 597	(444 887 401)
Finance Charges		(17 657 832)	(380 036)	(18 037 868)
Transfers and Grants		-	(5 775 956)	(5 775 956)
		(98 626 730)	28 255	(98 598 475)
Cash flow from investing activities				
Purchase of Property, Plant and Equipment		(113 062 177)	(28 255)	(113 090 432)

Accumulated Surplus

	2018	2017
Balance previously reported	864 721 627	767 734 396
Correction of Landfill Site Provision-see note (a) above	(9 352 906)	(8 972 870)
Correction of PPE-Cost-see note (b) above	228 549	228 549
Correction of PPE-Depreciation-see note (b) above	(126 119)	(97 864)
Correction of Receivables from Non-Exchange Transactions Traffic Fines - see not (c) above	(17 470 871)	-
Correction of Receivables from Non-Exchange Transactions Traffic Fines Impairment - see not (c) above	55 719 705	-
Correction of PPE-Cost-see note (d) above	4 621 718	4 621 718
Correction of PPE-Depreciation-see note (d) above	(333 846)	(286 388)
Correction of Unclaimed Monies - See note (e) above	(642 822)	(642 822)
Correction of Forfeited Revenue - See note (e) above	(39 350)	-
Restated balance 30 June 2018	897 325 685	762 584 719

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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58. Corrections of Error in terms of GRAP 3 (continued)

Property, Plant and Equipment

	2018	2017
Balance previously reported	1 056 056 051	948 329 212
Cost - Moveable Assets recovered - see note (b) above	228 549	228 549
Accumulated Depreciation - Moveable Assets recovered - see note (b) above	(126 119)	(97 864)
Cost - First Time Recognition of Land - see note (d) above	1 691 973	1 691 973
Cost - First Time Recognition of Building - see note (d) above	2 929 745	2 929 745
Accumulated Depreciation - First Time Recognition of Building - see note (d) above	(333 846)	(286 388)
Restated balance 30 June 2018	1 060 446 353	952 795 227

Non-Current Provisions

	2018	2017
Balance previously reported	24 235 470	23 743 279
Rehabilitation of Landfill site Provision - see note (c) above	9 352 906	8 972 870
Restated balance 30 June 2018	33 588 376	32 716 149

Receivables from non-exchange transactions

	2018	2017
Balance previously reported	25 903 907	22 893 791
Traffic Fines - see note (b) above	(17 470 871)	-
Traffic Fines Impairment - see note (b) above	55 719 705	-
Restated balance 30 June 2018	64 152 741	22 893 791

Trade and Other Payables

	2018	2017
Balance previously reported	74 569 541	67 719 359
Correction of Unclaimed Monies - See note (e) above	682 172	642 822
Restated balance 30 June 2018	75 251 713	68 362 181

59. In-kind donations and assistance

The municipality did not receive any in-kind donations or assistance during the year under review.

60. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Council subscriptions	-	2 004 658
Amount paid - current year	-	(2 004 658)
Amount paid - previous years	-	-
	-	-

Audit fees

Opening balance	-	-
Current year audit/ fee	2 916 541	2 398 201
Amount paid - current year	(2 916 541)	(2 398 201)
Amount paid - previous years	-	-
	-	-

PAYE and UIF

Opening balance	-	-
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Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand

60. Additional disclosure in terms of Municipal Finance Management Act (continued)

Current year subscription / fee	30 724 948	27 479 076
Amount paid - current year	(30 724 948)	(27 479 076)
Amount paid - previous years	-	-
	-	-

Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	55 033 855	51 184 991
Amount paid - current year	(55 033 855)	(51 184 991)
Amount paid - previous years	-	-
	-	-

VAT

VAT receivable	1 885 618	9 746 742
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VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor J Kam Kam	4 556	5 668	10 224
Councillor D Swart	4 181	1 071	5 252
	8 737	6 739	15 476

61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	141 793 373	161 234 098
Used to finance property, plant and equipment	(141 793 373)	(161 234 098)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

62. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the unaudited annual financial statements.

Deviations from, and ratifications of breaches of the Procurement Processes due to Specialised Services, Advertising, Accommodation, Sole Suppliers, Emergencies, Breakdowns, Strip and Quotes are recorded. All the deviations were ratified by the Municipal Manager and reported to Council

Section from SCM Policy and Category

	2019	2018
36(1)(a)(i) - In an emergency which is considered an unforeseeable and sudden event with materially harmful or potentially materially harmful consequences for the municipality which requires urgent action to address	1 418 253	-

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

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62. Deviation from supply chain management regulations (continued)

36(1)(a)(ii) - Where it can be demonstrated that goods or services are produced or available from a single provider only	282 346	124 734
36(1)(a)(iii) - For the acquisition of special works of art or historical objects where specifications are difficult to compile	-	-
36(1)(a)(v) - Exceptional case and it is impractical or impossible to follow the official procurement processes	153 594	3 170 401
	1 854 193	3 295 135

Minor Breaches from the SCM Processes in Terms of Regulation 36(1) of the SCM Regulations

Section 36 (1)(b)	2019	2018
Ratification of Minor Breach of tender invitation not duly including requirements for Minimum Local Content	-	3 417 977

Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy).

Company	Relationship	Name	Designation	Organ of State	Amount
ShelfPlett 40 T/A Isolomzi Security Services	Spouse	Yonn LB	SAPS Officer	South African Police Service	12 871 582
Manuel Maintenance CC	Daughter	Manuel AB	Library Assistant	Bitou Municipality	397 079
Sidomela Trading Enterprise CC	Spouse	Ngqoleka TW	General Worker	Bitou Municipality	296 556
Bezuidenhout Funeral Services	Spouse	Bezuidenhout	Chief SCM: Clerk	Knysna Municipality	9 000
Kemanzi (PTY) Ltd	Spouse	Du Toit JN	Traffic Service: Inspector	City of Cape Town	191 303
Auto Amavili (PTY) Ltd	Father	Yonn LB	SAPS Officer	South African Police Service	258 943
					14 024 463

63. Budget differences

Material differences between original budget and adjustment budget

Statement of Financial Position

- C1 Increase due to the outcome of mid-year budget assessment and performance ,current assets not sufficiently budgeted for
- C2 Increase due to the outcome of mid-year budget assessment and performance , Non-current assets not sufficiently budgeted for
- C3 Increase due to the outcome of mid-year budget assessment and performance. Current Liabilities not sufficiently budgeted for
- C4 No Material Variance

Statement of Financial Performance

Revenue :

- C5 Property rates revenue not sufficiently budgeted
- C6 Reduced budget due to grants that was over budgeted
- C7 Increased fines budget that was understated
- C8 - C9 No Material Variance

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

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2019

2018

63. Budget differences (continued)

Expenditure :

C10-C11 No Material Variance

C12 Reduced operational cost budget to enforce cost containment

C13 Reduced contracted services budget due to some of the contracts were ending as well as to enforce cost containment

C14 Due to impairment on traffic fines not sufficiently budgeted for

C15 Increased the budget due to the grants that were gazetted during the financial year under review

Cash flow

Cash from Operating Activities:

C17 Budget increased due to additional grants gazetted during the year

Operating Expenditure by Vote

C19 Decrease due to overstatement of the budget

C20-C22 No Material Variance

C23 Budget increased due to the land that the municipality had procured that was originally budgeted under Community Services for Housing Development

C24 No Material Variance

C25 Decrease the budget due to some of the contracts becoming redundant and enforcement of cost containment measures

Capital Expenditure

C26 Due to additional grants that has been gazetted during the year under review

C27 No Material Variance

Differences between budget and actual amounts basis of preparation and presentation

Statement of Financial Position

C1 No Material Variance

C2 Due to first time recognition of assets

C3 Due to provision of employee benefits

C4 Due to decreased borrowings, provision for landfill site and Employee benefits

Statement of Financial Performance

Revenue :

C5 Due to reduced property values on properties when Supplementary Valuation roll was implemented as well as rebates

C6 - C7 No Material Variance

Bitou Local Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2019

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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63. Budget differences (continued)

C8 Due to implementation of credit control policy

C9 No Material Variance

Expenditure :

C10 Due to saving on provision of employee benefits

C11 Significant variance due to bad debts not budgeted for

C12 No Material Variance

C13 Savings due to AFS done in-house, Contractors being delayed due to EIA and SCM processes.

C14 Due to provision for debt impairment

C15 Increased budget due to additional operational grants gazetted during the year under review

Cash flow

Cash from Operating Activities:

C16 Cash not received as anticipated and budgeted for, due to relaxation of debt collection and credit control policy

C17 Due to the movement expenditure pattern on capital projects

C18 No Material Variance

Operating Expenditure by Vote

C19 Change in the ORG STRUCTURE, Property Management Section moving to Community Service, debt impairment and loss on sale of Fixed Assets

C20 Budget exceeded due to legal fees incurred

C21 No Material Variance

C22 Budget overspent due to loss on sale of Fixed assets, depreciation and bad debts not sufficiently budgeted for

C23-C24 No Material Variance

C25 Overspending due to Debt impairment loss, bulk electricity, Water losses and Loss on Fixed Assets

Capital Expenditure

C26 The total Land Purchases linked to planned housing projects, were initially budgeted and procured via council's Capital Budget. However, due to the implications emanating from the IGRAP18 accounting standard, which came into effect on 01 April 2019, a portion of the total costs incurred, had to be expensed. The aforementioned corrections therefore resulted in an under expenditure on the Capital Budget.

C27 No Material Variance

C28 First time recognition of land due to IGRAP 18 implementation.

APPENDIX A - Unaudited
BITOU MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019

EXTERNAL LOANS	Loan Number	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
ANNUITY LOANS						
Development Bank	103437/2	1 671 515			208 337	1 463 178
Development Bank	103437/1	21 209 132			1 057 530	20 151 602
Development Bank	100225/1	3 708 000			824 000	2 884 000
Development Bank	13665/101	984 211			393 684	590 527
Development Bank	11200/102	555 000			370 000	185 000
Standard Bank	282029087	7 089 281			1 769 255	5 320 026
Standard Bank	082602573	1 080 921			1 080 921	-
Standard Bank	082602247 8	8 729 258			1 085 308	7 643 950
Standard Bank	282022589	7 708 127			1 231 787	6 476 340
Standard Bank	251981282	6 865 790			1 710 201	5 155 589
Standard Bank	282044426	6 939 846			2 069 989	4 869 857
Standard Bank	282023631	864 319			408 282	456 037
Standard Bank	282024913	13 863 215			1 384 303	12 478 912
Nedbank	7831 033912/000 001	8 121 179			796 289	7 324 889
Nedbank	2017/2018	30 873 552			1 847 525	29 026 027
Absa	2015/2016	17 484 394	-	-	1 487 423	15 996 971
Absa	2016/2017	23 486 359	-	-	1 715 891	21 770 468
Total Annuity Loans		161 234 099	-	-	19 440 725	141 793 374

APPENDIX B - Unaudited
BITOU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 (Surplus)/ Deficit R		2019 Actual Income R	2019 Actual Expenditure R	2019 (Surplus)/ Deficit R
			Office of the Municipal Manager			
-	3 734 293	3 734 293	Internal Audit and Risk Management	-	3 424 500	3 424 500
-	2 303 336	2 303 336	Municipal Manager	-	2 639 405	2 639 405
-	3 927 662	3 927 662	Office of the Municipal Manager	-	2 008 601	2 008 601
(188 314)	12 510 961	12 322 647	Office of the Political Office Bearers	(13 658)	10 792 311	10 778 653
-	1 774 331	1 774 331	IDP	-	2 118 381	2 118 381
(31 763 352)	2 214 861	(29 548 490)	Admin General Expenses	(56 260 983)	840 232	(55 420 751)
(31 951 665)	26 465 444	(5 486 222)		(56 274 641)	21 823 431	(34 451 210)
			Finance Services			
(1 880 000)	8 180 433	6 300 433	Budget and Treasury Office	(1 940 949)	10 390 171	8 449 222
-	4 630 478	4 630 478	Expenditure	-	3 494 962	3 494 962
(12 303 972)	11 673 182	(630 790)	HOD: Financial Services	(11 591 758)	6 129 087	(5 462 670)
-	471 539	471 539	Office of the CFO	-	288 461	288 461
(467 773)	9 186 694	8 718 921	Revenue Services	(669 864)	8 849 217	8 179 353
-	71 178	71 178	Revenue Services: Meter Reading	-	68 488	68 488
(130 881 123)	13 337 840	(117 543 284)	Revenue Services: Property Rates	(137 257 810)	735 847	(136 521 963)
(99 922)	3 569 774	3 469 852	SCM	81 412	3 684 276	3 765 688
(145 632 790)	51 121 118	(94 511 672)		(151 378 970)	33 640 509	(117 738 461)
			Corporate Services			
-	6 594 682	6 594 682	Administrative Services	(9 874)	5 781 274	5 771 399
-	2 996 622	2 996 622	Communication	-	3 237 171	3 237 171
-	1 391 642	1 391 642	HOD: Corporate Services	-	1 338 998	1 338 998
(833 738)	12 066 830	11 233 092	Human Resources Management Services	(638 414)	19 054 600	18 416 187
(7 398)	10 137 872	10 130 474	Information and Communication Technology (ICT)	(36 241)	13 688 880	13 652 640
-	21 824	21 824	Computer Room	-	-	-
-	5 655 161	5 655 161	Legal Services	-	9 050 281	9 050 281
(841 136)	38 864 632	38 023 496		(684 528)	52 151 204	51 466 675
			Community Services			
(3 789 968)	4 749 588	959 620	Aerodrome	(3 046 896)	5 231 181	2 184 284
-	4 261 935	4 261 935	Community Services	-	1 469 172	1 469 172
-	49 398	49 398	HOD: Community Services	-	1 285 498	1 285 498
(32 776 655)	29 141 790	(3 634 865)	Human Settlement and Housing	(93 070 736)	79 013 338	(14 057 398)
(9 869 874)	10 510 849	640 975	Library and Information Services	(11 007 529)	10 781 333	(226 196)
(6 941 891)	9 754 752	2 812 861	Parks and Recreation: Beach Control	(382 901)	7 913 076	7 530 174
(44 977)	561 243	516 265	Parks and Recreation: Cemeteries	(15 360)	1 224 752	1 209 392
(87 838)	1 425 355	1 337 517	Parks and Recreation: Manager	-	1 396 205	1 396 205
-	11 130 917	11 130 917	Parks and Recreation: Parks Maintenance and Horti	-	7 581 508	7 581 508
-	1 526 614	1 526 614	Parks and Recreation: Sport and Public Facilities	-	902 968	902 968
(6 958)	3 199 585	3 192 628	Parks and Recreation: Simunye Centre	(100 000)	3 189 983	3 089 983
(518 284)	6 353 302	5 835 019	Municipal Land and Buildings	(26 575 856)	76 234 884	49 659 028
(1 836 300)	12 302 599	10 466 300	Protection Services: Fire Department	(326 313)	12 557 699	12 231 386
-	18 814 127	18 814 127	Protection Services: Law Enforcement	-	15 573 825	15 573 825
-	2 141 484	2 141 484	Protection Services: Manager	-	2 291 700	2 291 700
(61 396 053)	57 329 103	(4 066 950)	Protection Services: Traffic Department	(46 229 535)	89 318 992	43 089 456
(38 722 243)	35 045 329	(3 676 914)	Waste Management	(52 368 658)	44 764 523	(7 604 134)
(152 201 073)	203 548 383	51 347 310		(233 123 785)	360 730 635	127 606 850
			Municipal Services and Infrastructure Development			
(159 619 178)	137 682 558	(21 936 620)	Electrical and Mechanical Engineering Services	(172 005 282)	148 405 733	(23 599 549)
(744 669)	12 440 379	11 695 710	Fleet Maintenance	(348 750)	16 036 856	15 688 106
-	1 017 869	1 017 869	HOD: Infrastructure Services	-	1 526 182	1 526 182
-	938 428	938 428	Infrastructure Services	-	3 807 034	3 807 034
(1 589 000)	3 050 288	1 461 288	Proclaimed Roads	(4 219)	189 038	184 819
(3 232 000)	6 574 541	3 342 541	Project Facilitation	(7 004 292)	4 686 000	(2 318 293)
(2 435 974)	27 224 990	24 789 015	Roads, Stormwater and Buildings Maintenance	(20 593)	29 887 912	29 867 319
-	2 737 278	2 737 278	Water Services : Water Reticulation	(37 981)	1 555 529	1 517 548
(56 093 832)	27 272 866	(28 820 966)	Water Services: Waste Water Purification	(84 165 920)	43 412 375	(40 753 545)
(117 314 050)	36 995 242	(80 318 808)	Water Services: Water Distribution	(117 552 792)	49 231 864	(68 320 928)
-	11 382 093	11 382 093	Water Services: Water Purification	-	9 436 510	9 436 510
(341 028 703)	267 316 530	(73 712 172)		(381 139 829)	308 175 034	(72 964 795)
			Council			
(1 125 783)	3 331 814	2 206 031	Council General	(729 572)	2 568 116	1 838 545
(355 387)	633 799	278 412	Office of the Deputy Mayor	(230 390)	710 568	480 177
(681 159)	1 321 839	640 680	Office of the Executive Council	(441 583)	1 343 959	902 377
(461 303)	1 185 219	723 916	Office of the Mayor	(297 889)	958 567	660 679
(355 387)	63 471	(291 916)	Office of the Speaker	(230 390)	857 580	627 190
(2 979 019)	6 536 140	3 557 122		(1 929 824)	6 438 791	4 508 967

APPENDIX B - Unaudited
BITOU MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 (Surplus)/ Deficit R		2019 Actual Income R	2019 Actual Expenditure R	2019 (Surplus)/ Deficit R
			Strategic Services			
(3 001 470)	2 873 009	(128 461)	Building Control	(2 830 868)	1 935 128	(895 740)
-	1 805 222	1 805 222	HOD: Strategic Services	-	1 565 771	1 565 771
-	3 144 348	3 144 348	Local Economic Development	(228 270)	5 368 637	5 140 567
(249 280)	593 580	344 300	Office of the HOD: Strategic Services	-	389 163	389 163
-	1 956 249	1 956 249	Planning and Economic Development	-	(8 284)	(8 284)
-	7 264	7 264	PMS/SDBIP/Compliance	-	562 456	562 456
-	5 541 269	5 541 269	Environmental Management	-	-	-
-	5 541 269	5 541 269	Tourism & Marketing	-	4 009 086	4 009 086
(419 480)	5 137 976	4 718 496	Town Planning	(397 338)	5 680 452	5 283 114
(3 670 231)	26 600 185	22 929 955		(3 456 476)	19 502 609	16 046 134
(678 304 617)	620 452 433	(57 852 184)	Sub Total	(827 988 054)	802 462 212	(25 525 841)

The actuals of the 2017/2018 financial year remains as originally reported and signed off on the Annual Financial Statements for the 2017/2018 financial year, and therefore does not take into account prior period corrections.

APPENDIX C - Unaudited
BITOU LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R	2019 Budget Income	2019 Actual Income R	2019 Budget Expenditure	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
(9 921 809)	18 302 207	8 380 398	(11 960 808)	(11 122 889)	20 104 619	17 950 737	6 827 848
(157 275 959)	137 305 752	(19 970 207)	(186 683 584)	(172 005 282)	144 219 481	149 931 915	(22 073 367)
(3 167 333)	25 278 099	22 110 767	(39 096 837)	(58 204 465)	33 428 071	28 452 959	(29 751 506)
(179 500 231)	106 168 056	(73 332 175)	(158 665 266)	(178 988 104)	109 181 199	168 595 166	(10 392 938)
(32 738 996)	28 893 959	(3 845 037)	(91 335 056)	(93 070 736)	46 077 423	79 013 338	(14 057 398)
-	3 734 293	3 734 293	-	-	4 231 349	3 424 500	3 424 500
(6 652 950)	23 866 519	17 213 569	(15 732 747)	(13 096 154)	39 147 349	35 440 280	22 344 126
(1 626 780)	14 381 475	12 754 695	(112 243)	(326 313)	66 013 487	68 102 943	67 776 630
(62 917 609)	109 085 230	46 167 621	(50 292 769)	(46 254 348)	34 540 324	85 235 228	38 980 880
(2 986 067)	23 272 536	20 286 469	(524 245)	(382 901)	19 624 450	17 793 756	17 410 855
(38 722 243)	35 035 227	(3 687 016)	(49 147 471)	(52 368 658)	28 059 085	44 764 523	(7 604 134)
(55 674 559)	25 371 569	(30 302 989)	(58 124 801)	(84 165 920)	15 739 656	44 967 905	(39 198 015)
(116 577 502)	47 743 642	(68 833 860)	(108 555 628)	(117 590 773)	37 321 149	58 668 374	(58 922 399)
(3 789 968)	10 271 317	6 481 349	-	(411 511)	4 577 598	120 587	(290 923)
(671 552 006)	608 709 882	(62 842 124)	(770 231 455)	(827 988 054)	602 265 240	802 462 212	(25 525 841)

The actuals of the 2017/2018 financial year remains as originally reported and signed off on the Annual Financial Statements for the 2017 2018 financial year, and therefore does not take into account prior period corrections.

**APPENDIX D - Unaudited
BITOU MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2018	Correction of Error	Restated Balance 30 June 2018	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
National Government Grants											
Equitable Share	-	-	-	83 030 735	-	-	(83 030 735)	-	-	-	-
MIG Grant	0	-	0	26 642 000	-	-	-	(26 603 936)	38 065	38 065	-
National Electrification Programme	-	-	-	8 000 000	-	-	-	(7 913 128)	86 872	86 872	-
ACIP	0	-	0	-	-	-	-	-	0	0	-
Financial Management Grant	(0)	-	(0)	1 550 000	-	-	(1 550 000)	-	-	-	-
Neighbourhood Development Grant	1	-	1	-	-	-	-	-	1	1	-
EPWP	-	-	-	2 615 000	-	-	(2 615 000)	-	-	-	-
Total National Government Grants	1	-	1	121 837 735	-	-	(87 195 735)	(34 517 064)	124 937	124 937	-
Provincial Government Grants											
Financial Management Support Grant-mScoa	-	-	-	330 000	-	-	(381 469)	-	-	-	(51 469)
Local Government Graduate Internship Grant	75 024	-	75 023.81	72 000	-	-	(11 000)	-	136 024	136 024	-
Financial Management Capacity Grant	202 687	-	202 687.48	360 000	-	(9 024)	(412 522)	-	141 142	141 142	-
Community Development Workers	13 625	-	13 625	-	-	-	(13 658)	-	-	-	(33)
Libraries	-	-	-	1 926 000	-	-	(1 926 000)	-	-	-	-
Provincial Housing Grant	1 220 995	-	1 220 995	64 191 276	-	-	(39 097 115)	(50 158 813)	(23 843 658)	(23 843 658)	-
Proclaimed Roads Maintenance	(0)	-	(0)	-	-	-	(4 219)	-	(4 219)	(4 219)	-
Municipal Replacement Grant	608 015	-	608 015	8 950 000	-	-	(7 796 254)	(778 363)	983 399	983 399	-
LGSETA	-	-	-	534 758	-	-	(214 892)	-	319 866	319 866	-
Disaster Management: Emergency Housing	-	-	-	3 988 200	-	-	(4 143 600)	-	(155 400)	(155 400)	-
Municipal Disaster Grant	0	-	0	4 587 000	-	-	-	(4 389 292)	197 708	197 708	-
LED Strategy (IDC)	0	-	0	-	-	-	-	-	0	0	-
Regional Social Economic Projects	-	-	-	(0)	-	-	-	-	-	-	(0)
Thusong Centre	-	-	-	100 000	-	-	(100 000)	-	-	-	-
Total Provincial Government Grants	2 120 347	-	2 120 347	85 039 233	-	(9 024)	(54 100 729)	(55 326 468)	1 778 138	(24 054 779)	-
District Municipality											
Total District Municipality Grants	-	-	-	-	-	-	-	-	-	-	-
Other Grant Providers											
Nedbank	-	-	-	440 000	-	-	(228 270)	-	211 730	211 730	-
Allocations in Kind	-	-	-	311 031	-	-	-	(311 031)	-	-	-
Total Other Grant Providers	-	-	-	751 031	-	-	(228 270)	(311 031)	211 730	211 730	-
Total Grants	2 120 348	-	2 120 348	207 627 999	-	(9 024)	(141 524 734)	(90 154 563)	2 114 805	(24 054 779)	-

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received. No grants were withheld.